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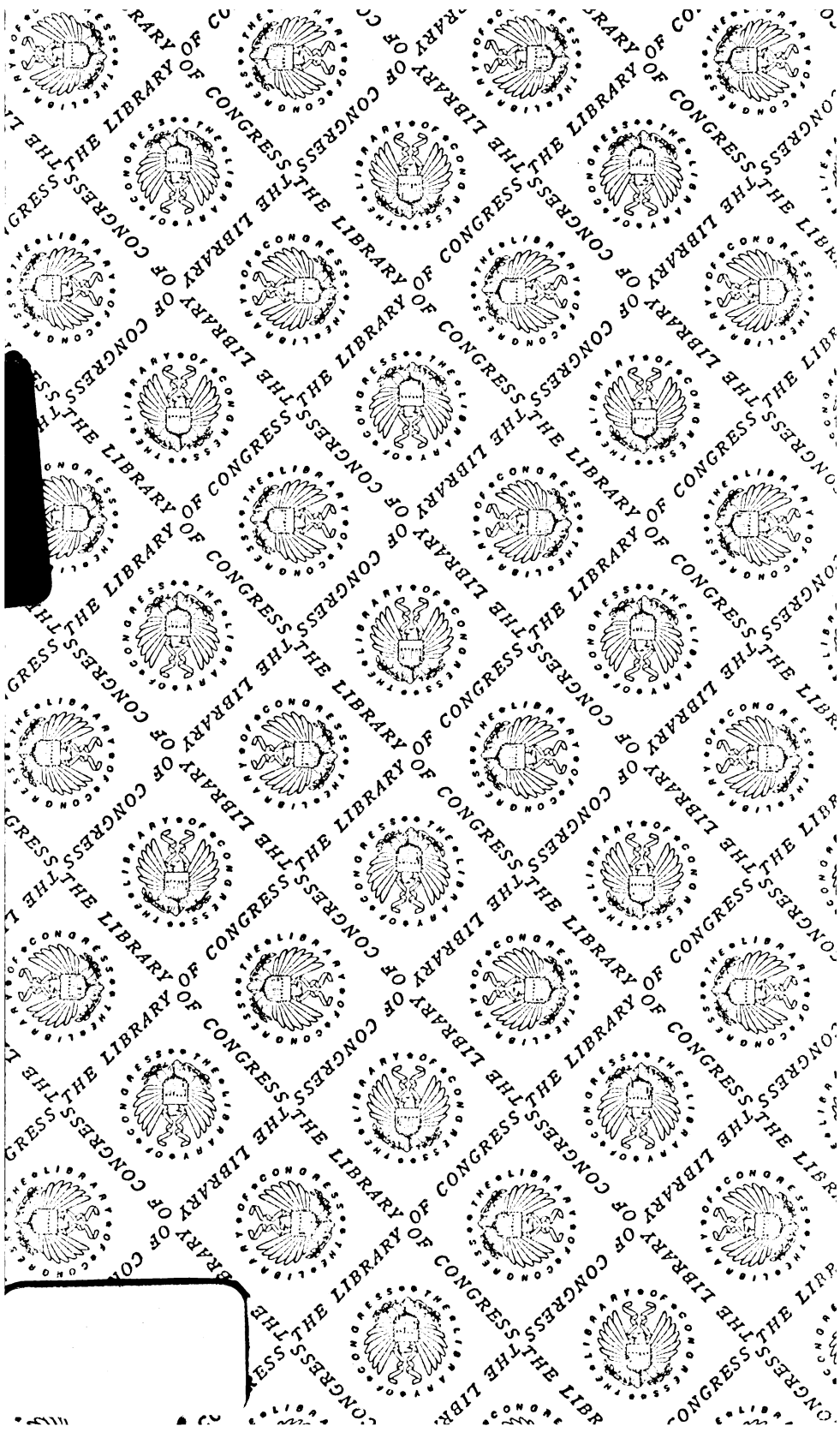
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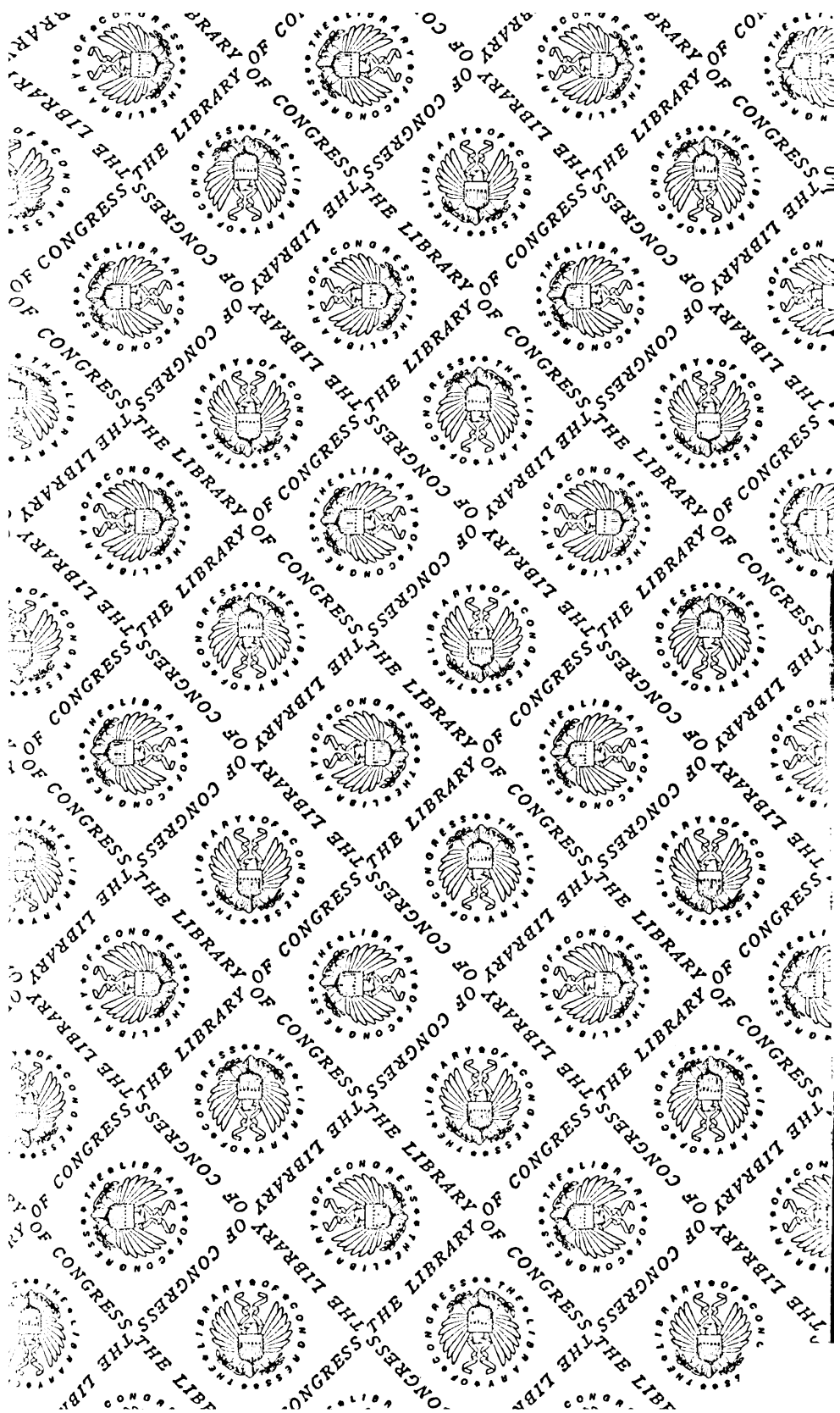
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HEARINGS

BEFORE THE

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U.S.

COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE
OF THE HOUSE OF REPRESENTATIVES

ON

H. R. 6293, 6294, AND 14770

PROVIDING FOR THE INSPECTION
AND GRADING OF GRAIN

v. 1

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FEDERAL INSPECTION OF GRAIN.

COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
Tuesday, March 3, 1908.

Committee called to order at 10.35 a. m., Hon. W. P. Hepburn in the chair.

The CHAIRMAN. Gentlemen of the committee, the business before the committee this morning is the consideration of House bills 6293 and 6294, relating to the Federal inspection and grading of grain.

STATEMENT OF MR. CHARLES S. HAMLIN, CORPORATION COUNSEL, BOSTON CHAMBER OF COMMERCE.

Mr. HAMLIN. I appear with the delegation which comes from the chamber of commerce of Boston to speak in opposition to House bills 6293 and 6294 and the other bill which has just been mentioned, H. R. 14770.

The CHAIRMAN. At the time I called upon you I did not know upon which side you wished to appear. Is there anyone here who desires to be heard as the proponent of either of these bills? There does not seem to be anyone here, and you may proceed, Mr. Hamlin.

Mr. HAMLIN. Mr. Chairman and gentlemen of the committee, I shall be very brief. I shall confine myself to the provisions of House bill 6293 and incidentally may mention some of the provisions of the other two bills. I think the objections raised to bill 6293 will substantially apply to the other bills.

This bill is introduced to provide for the Federal inspection of grain in interstate commerce. It authorizes and directs the Secretary of Agriculture to appoint Federal inspectors of grain; and as we understand the bill it provides for at least a double inspection—an inspection at the initial point where the grain is supposed to start in interstate commerce and another inspection at the point of final destination. And I shall try to show that under certain circumstances which may ordinarily arise in the handling of grain it provides for possibly two or three other inspections of the same carload of grain. But I will speak of that in a moment.

Under the provision of section 2 the Secretary of Agriculture must appoint inspectors at certain cities and towns of the United States. I think there are sixteen designated cities in all. It also provides that the Secretary may appoint inspectors at such other important centers of interstate trade and commerce as may be considered by him necessary or proper to carry the act into effect.

We submit that this bill is unconstitutional in that this is a delegation of authority to the Secretary which Congress legally, under the Constitution, can not accomplish. The bill gives the absolute power to the Secretary of Agriculture to designate certain places in the United States at which grain about to enter interstate commerce must

and shall be inspected. It designates 16 places where he must designate inspectors, and it leaves the rest of the United States absolutely in his discretion as to whether to appoint inspectors or not. Section 13 of the bill says that no grain shall leave the State from any of these 16 points designated by him unless it has been inspected by a Federal inspector, so that under the provisions of this bill grain leaving Chicago or Minneapolis must be inspected, but grain leaving Peoria, Ill., or Galveston, or from any of the 34, I think it is, States not mentioned in this bill, could move without Federal inspection. In other words, while the Secretary is given the right to designate any cities or places, he is obliged only to designate these 16 important interstate-commerce centers. And we submit that such a law would not be uniform.

Thirty-four States are not mentioned in this bill, and, as I have said, under the provisions of such a law, interstate commerce from any one of these 34 States would not require initial inspection, whereas from the other States that are mentioned no grain could be taken out without the inspection which the act provides for. We submit that that is not such uniformity of legislation as the Constitution contemplates. We submit that it is a delegation of power to the Secretary of Agriculture which is unauthorized, to permit him to say that from certain points in certain States no grain shall go unless inspected, while from the balance of the United States grain may freely go without inspection.

The Secretary is given power, to be sure, to appoint inspectors at other places, but not at all places where grain may go into interstate commerce. He is authorized simply to appoint other inspectors at important centers of interstate trade. We submit that all places from which interstate commerce starts are important centers to persons who ship grain in interstate commerce, and that if this bill is passed with the intent to benefit initial shippers, every initial shipper should have the benefit of it.

Looking at it from another point of view, if it is a bill imposing a regulatory burden upon interstate commerce, then clearly every shipper or producer who takes part in interstate commerce should bear his share of the burden as he should have his share of the benefit.

Now, in New England only two points are mentioned in this bill—two inspection points—the city of Portland and the city of Boston. Boston is not a distribution point at all nor a transfer point of grain. Grain, as a rule, is blind billed. If a shipper is going to ship grain to some part of New England, he will take the farthest point that he can ship to at the same rate, some point perhaps in Maine, and when that grain reaches the Harlem River, if by the New Haven Railroad, the destination is then changed and the ultimate point is put in the bill of lading where the grain is destined. This bill, we think, necessarily would interfere with that.

It requires, as I have said, a double inspection. You are probably aware that a similar bill is pending in the Senate of the United States and that the Senator from North Dakota, who introduced it, said that he did not understand that there was any inspection required at all at the initial point. But I want to call the attention of the committee to section 8 of bill H. R. 6293, which fixes the duty of every railroad company engaged in interstate commerce. It is the duty of every railroad company, under section 8 of this bill, and every indi-

vidual engaged in the transportation of grain, to notify the inspector whenever they receive grain destined to any State or Territory. It seems to me that it is perfectly clear that when a shipment of interstate grain is put on the cars in North Dakota it is the duty of the shipper to notify the inspector. Then, farther along, it says that it is the duty of any railroad which receives grain from any other State to notify the inspector, and that it is the duty of the inspector to inspect the grain. Section 13, as I have already said, prohibits the taking of any such grain out of the State unless it has been inspected. So that, as I say, this bill clearly and specifically, in so many words, imposes a double Government inspection on all grain carried from the designated cities in interstate commerce, which we believe to be a burden which may be almost destructive of interstate commerce.

As bearing out the proposition as to the delegation of powers, and going back a moment, the Secretary has a right to appoint such additional inspectors as in his judgment the best interests of trade and commerce require. I suppose that the United States Government has no power to regulate trade excepting commerce, but that of course is a minor objection. It may be said that this power has been given to other Departments of the Government, the tea standard act, for example; but I think that act covered an entirely different class of cases. The Government in that act said that there shall not be imported spurious, adulterated, and worthless teas. It merely gave the Secretary power to fix the standard of rejection, which seems to me to raise an entirely different question.

Of course if this legislation is valid, it thereby puts an end to all State inspection. The laws of all States having State inspection are thereby terminated, and the local inspection of boards of trade all over the United States at once becomes of no force or effect.

The act says, in sections 6 and 7, that the standard fixed by the Secretary of Agriculture shall be the standard in all interstate commerce in grain. I respectfully represent that that section ought to be made clear. What does it mean? Does it mean that every purchaser and every seller is bound by that standard? Does it mean that the man in Liverpool purchasing grain is absolutely bound by our Government standard? If he buys grain, or oats, or corn, can he, under the act, by contract, exempt himself from the operation of this law? I think that is specifically provided for in House bill 6294, but not in this bill (H. R. 6293). Of course, if you are going to arrange it so anybody can exempt himself from the operation of the law, the law would have practically little effect; and I should suppose that this committee will either make the law what it purports to be, a valid law, binding upon everyone, or that it will report against any new legislation, and that it will not favor an exception so that anybody may be exempted from its operation.

Now, in section 8 there is brought up another doubtful question. The inspector is to be notified when grain is received by a railroad "destined" to another State. What does the word "destined" mean? It seems to me that ought to be clearly defined in the bill. If the word "destination" has the ordinary legal meaning, I suppose it would mean only where grain is shipped to another State, that is where the bill of lading expressly states that it is an interstate shipment from a point in one State to a point in another State. If, however, a shipment is intrastate it, of course, does not come within the

operation of this bill; that is, if grain collected at one point in a State is sent to another point in the same State, clearly, under the decisions of the Supreme Court, it would not be interstate commerce. For instance, in the State of Maine, where logs were collected at a point on the border of the State intended to be transported out of the State in the spring, the court held that that would not constitute interstate commerce because at some time in the future they were to be transported to another State, and that the State therefore could tax the logs. (*Diamond Match Co. v. Ontonaga*, 188 U. S., 321.)

I have said that a double inspection is required by this bill, and if it is, that inspection was not intended by the author of the bill in the Senate, as he has already stated. I think that there may be three or four inspections necessary in certain cases. For example, section 12 provides that if this grain is mixed with any other grain of a different grade or with grain that has not been inspected, another inspection is necessary before it leaves the State. That would make two inspections in the same State. Let us suppose that grain is sent by lake and rail from some point in North Dakota destined to Duluth en route to Boston. The grain would be inspected in North Dakota before it leaves the State. Suppose also that it is put in an elevator at Duluth and that the grain is there mixed so that its grade is changed. Before it leaves Duluth on the lake steamer there would have to be another inspection under this bill; that is three. Then it arrives at Buffalo and goes into the elevator there, and then proceeds to Boston and is put in another elevator. Under this bill it would have to be inspected at Buffalo, and if it were cleaned or dried in Boston, as is frequently the case, it would have to be inspected again. The above is a perfectly conceivable commercial transaction, and under this bill there would have to be five Federal inspections of the grain, and of course the tax for all of those inspections, while paid by the owner, ultimately would be charged back to the farmer at the initial point.

Section 10 abolishes the present system of grain inspection by the local boards of trade throughout the United States, and we believe that that inspection is a fair and honest inspection and is working satisfactorily in practice.

As to section 11, supposing, for example, that a man in Boston sells grain to a purchaser in Liverpool, and the grain is stipulated to be grade No. 2. He buys it, and it is inspected by the Federal inspector in the West as grade No. 2. It goes to Boston; let us suppose that the Federal inspector there says that the grain has deteriorated, it is not No. 2, but No. 3. The seller feels that the decision of the inspector is wrong, but he is under contract to deliver, and he has contracted for space in a steamship sailing for Liverpool at a certain day. He can not ship that grain because the Federal inspector says it is grade No. 3. To carry out his contract he buys other grain at a great loss. Under this bill he can appeal from the local inspector, as the law provides, to the chief inspector, and then to the Secretary. Suppose that ultimately, perhaps months afterwards, the Secretary says that the Federal inspection at Boston was all wrong, and that the grain had not deteriorated. Under the system of inspection by boards of trade and chambers of commerce he can recover his damages from the local board whose inspectors have inspected the grain. That is the custom at Boston, and I believe it is the custom in other boards of trade generally in the country.

Under bill H. R. 6293 he would have no redress whatsoever, and I submit that if the Government is to take the grain business under its care it should at least guarantee the performance of his duties by every inspector; and that when an inspector by negligent action causes damage to a shipper the Federal Government should pay him the damages which he can show he suffered. I think that H. R. 6294 provides that all of these inspectors shall give bond with satisfactory sureties, and that they will be liable for any willful violation of the law; but an inspector might make an error of judgment, he might be incompetent, and yet it could hardly be said that that would be a willful error.

Mr. BARTLETT. Have you a statute in Massachusetts which makes the State pay for the failure of the inspection?

Mr. HAMLIN. No; it is the Boston Chamber of Commerce, a private corporation. It is responsible, and it pays damages occasioned by any errors of its inspectors.

Mr. BARTLETT. Would it not be a case of respondeat superior? It is proper to say that the United States Government ought to pay for the damages caused by the willful acts of the inspector, is it not?

Mr. HAMLIN. We think that the Government will not be willing to have invoked the doctrine of respondeat superior. We are satisfied to have it invoked against the Boston Chamber of Commerce. I assume that the Government, as you say, would not be willing to have invoked against it that doctrine.

Mr. BARTLETT. There are a few cases where that would apply to States; and I think the statute in Massachusetts, as well as in most States, makes the State liable for damages.

Mr. HAMLIN. I take it that the Federal Government would not want to stand behind the errors of its own inspectors, and I advance that as one reason for not taking away from the shippers of grain the right that they now have to recoup themselves for any damage caused by the local board of trade inspection, which right they would lose unless the Federal Government should stand behind the acts of its own inspectors.

Mr. BARTLETT. Is that rule peculiar to the Board of Trade of Boston, or a general rule in various other States?

Mr. HAMLIN. I speak subject to correction, but I think it is the universal custom.

Mr. MANN. Isn't it a fact that in all of the chief grain centers the inspection is a State inspection?

Mr. HAMLIN. I think that a great many cities have State inspection, but I think in nearly all of those cities that you refer to there is also inspection by local boards of trade.

Mr. MANN. I think you are entirely mistaken.

Mr. HAMLIN. I think that it is the custom, even where there is a State inspection, to provide that the purchase of grain shall be subject to private inspection, but I think that some other gentleman will speak of that more definitely.

Mr. MANN. They buy by sample and not by private inspection.

Mr. HAMLIN. I think that you will find some gentleman will testify—

Mr. MANN. I do not know what they do in Boston, and I do not imagine they handle very much grain there.

Mr. BARTLETT. The Government seems to be going into all sorts of business and to be regulating every kind of business, and it occurs

to me that it ought at the same time to assume the responsibilities that private individuals do.

Mr. HAMLIN. In section 13 of this bill, line 14, it provides that grain which has been once inspected, but not mixed, need not be reinspected at the place from which it is exported. I would respectfully suggest that a definition of the word "exported" be put into the bill. It is not clear whether that refers to exports in foreign trade—for example, from the seaboard cities—or whether it simply means shipped out of the States, as in line 3 of that same page. Of course if there were no Federal inspection on foreign exports it certainly would not give very much assurance to any foreign purchasers as to the condition of the grain when it left the United States; but I assume that that simply refers to shipments out of the State, although there is a difference of opinion as to the meaning of those words.

Mr. BARTLETT. The word "shipped," in section 13, might be used in the place of the word "exported?"

Mr. HAMLIN. Yes, I think that is what the words mean, to ship out of the State. The word "export," as I understand it, refers simply to foreign trade. It was so decided by the United States Supreme Court. We believe that a small army of inspectors would be required throughout the United States under this bill. Grain is sold in carload lots at almost every railroad center in New England, and that grain, scattered all over New England, could not be unloaded, under the provisions of this bill, unless inspected, and it seems to us it would practically place an embargo on the grain business unless a very large number of Federal inspectors were used in New England.

The CHAIRMAN. Have you made any calculations or estimate of the number of officers of that title that would be required?

Mr. HAMLIN. It is impossible. I stated before the Senate committee that I thought 5,000 would be required, and I was very severely criticised by a member of the committee, who said that in North Dakota alone there were 5,000 elevators, and that in Minnesota I think he said there were 2,000 elevators. Of course there are a large number in all of the different States. It might be that you would have to have a Federal inspector for each elevator, but I should think that that would not be required. But when it comes to the delivery point—take New England, for instance, from Eastport, Me., to Providence or Pittsfield—with the carloads delivered all over New England, and make the unloading of a car a penal offense, even imprisonment, or both, then it would be impossible to get our cars delivered unless we had, I should think, a thousand inspectors for New England alone—that is, if you really attended to the delivery. Of course a smaller number could easily do the work if the shipments were held to await them; but in case of grain going through to a vessel it would be a serious matter unless the inspection could be made almost immediately on the arrival of the grain.

Mr. MANN. As I gather them, your remarks have been directed entirely in opposition to the details of one of the bills. Is the opposition of the Boston Chamber of Commerce the details of that bill or to the general proposition of Federal inspection of grain the real proposition before us?

Mr. HAMLIN. The opposition that I have been speaking of so far was necessarily as to the details. We felt that it was our duty to point

out where the bill might be perfected. But if you perfect the bill, we then oppose the whole bill in principle. We simply say—and I am perfectly willing to take up that question—that it is impossible to have uniformity in Federal inspection. In other words, the conditions of climate are so different that the Secretary of Agriculture will have to have as many different standards and classifications as there are now in operation. For example, suppose the Secretary of Agriculture were to fix some standard of moisture for corn. Supposing he were to say that corn containing under 15 per cent of moisture shall be grade 2 and over 15 per cent shall be grade 3. If corn is exported from Chicago through New Orleans, it is perfectly clear that if the moisture should amount to over 15 per cent it would deteriorate and become grade 3 when it reached Liverpool, and yet that same corn could go through Boston or New York or Philadelphia with 17 per cent of moisture and remain in the same condition in Liverpool that it was when it left Chicago.

Now, we say that if you fix that standard at 15 per cent for northern ports we would have to artificially treat the corn to get that 2 per cent of moisture out of it, and the cost of doing that would probably take away all the profit in the business. So I say that while this bill speaks of uniformity of standard, in practice the Secretary would have to adopt standards varying according to the point at which the inspection is made. It is perfectly true that there is not uniformity to-day in standards and classification of grain throughout the United States, but that is because the grain is grown at different points in the United States. There are differences of climate, and grain deteriorates and changes in transit. It is cleaned and sorted, and the grade is raised in transit. So it would be impossible, we submit, to have uniformity of standard that would not arbitrarily injure parts of the country and perhaps benefit other parts of the country. The mere fact that there is lack of uniformity, we submit, is not a reason for Federal action. It might be a reason for the desirability of Federal action if the Federal Government had power; but apart from power lack of uniformity gives no rise to the right of the Federal Government to interfere any more than it would to change State laws, for example, as to the right of suffrage which differs in different States. Women can vote for President in Colorado, but not in most States. There is, furthermore, a great lack of uniformity as to taxation in the States and as to the descent of property, but that lack of uniformity does not give the Federal Government a right to interfere unless it has some right derived from the Constitution.

The question at once arises, as to whether the Government of the United States has the right to pass this sort of legislation. In the case of *Gibbons v. Ogden*, 9 Wharton, at page 201, Marshall, the great Chief Justice, laid down the doctrine that the individual States reserved to themselves the right to pass inspection laws, that is the right to grade products, to measure them as to the quantity, the weight, and the quality. In that case, at page 201, the Chief Justice laid down the proposition, which has been repeatedly affirmed almost to date by the Supreme Court of the United States, that the right of inspection as to quality was never surrendered by the States to the Federal Government, and that they have that right to-day. For instance, a statute of Maryland prohibiting the exportation of tobacco until it had been examined and measured and the quality

determined, was held to be constitutional by the Supreme Court. That is the case of *Turner v. Maryland*, 107 United States, 38. A statute of New Mexico prohibiting any railroad taking hides out of the Territory unless inspected, was pronounced a valid statute by the Supreme Court of the United States (*McLane v. I. and R. G. R. R.*, 203 U. S., 38). An act prohibiting the importation of diseased cattle into Kansas was sustained in the case of the Missouri, Kansas and Texas Railroad against Haber, 169 United States, 613. See also *Patapsco Guano Co. v. North Carolina*, 171 United States, 345; *Plumley v. Moss*, 155 United States, 461; and many other decisions, showing conclusively that inspection powers were and are reserved to the State.

Now, the question comes up, of course, whether under the power to regulate commerce Congress has a right to require all articles entering into such commerce to be graded. I submit respectfully that the power of inspection is not a power which is derived from the power to regulate commerce. Chief Justice Marshall stated that in *Gibbons v. Ogden* in the clearest way. He said that the inspection powers of the State were not powers derived from the power to regulate commerce. They were derived from their other general sovereign powers, and that the States do not pass inspection laws under any power of regulation of commerce, so also it would seem to follow that inspection laws were not a power to be derived from the power to regulate interstate commerce. Of course, it is perfectly clear that in anything necessarily incidental to a granted power the National Government has inspection power. It has power under the taxation clause to levy import duties, and as a part of that power it has the power of inspection, the power of classification of imports. But that is a power subsidiary to the power of taxation.

Now, it is claimed by some that the General Government can exclude absolutely from interstate commerce, and therefore anybody invoking the use of the avenues of interstate commerce must submit to any conditions that Congress sees fit to impose. I think that question was settled by the recent decision as to the employers liability law by the United States Supreme Court (*Howard, admx., v. I. H. C. R. R.*) where Mr. Justice White, in delivering the opinion of the court, said that to state the proposition is to refute it. He said:

It remains only to consider the contention which we have previously quoted that the act is constitutional, although it embraces subjects not within the power of Congress to regulate commerce, because one who engages in interstate commerce thereby submits all his business concerns to the regulating power of Congress. To state the proposition is to refute it.

■ It will at once be said that Congress has gone very far in regulating interstate commerce, for example, in the lottery cases (188 U. S., 321). The Supreme Court of the United States then held that Congress could exclude lottery tickets from the mails.

Mr. BARTLETT. You mean the transportation of lottery tickets?

Mr. HAMLIN. Yes; but the gist of that decision was that Congress would not permit the avenues of interstate commerce to be used to violate the laws of all the States in opposition to the lotteries. That was the essential fact on which that decision rested. There were some statements of some of the judges that Congress had absolute power to exclude from interstate commerce, but those were not statements, as I understand it, representing the majority of the court.

Mr. BARTLETT. The trouble goes out of the head note of that decision to the effect that Congress had the power to prohibit interstate commerce. When you read Judge Harlan's opinion he puts it upon the ground that encouraging lottery business was harmful and an obnoxious business. I suppose you are referring to offenses against that principle, such as diseased cattle and so forth?

Mr. HAMLIN. In other words, the court said that Congress has the power to reject anything from interstate commerce that necessarily is inconsistent with it and is destructive to it. The court said that Congress has the power, for example, to keep diseased cattle out of interstate commerce. Congress, of course, has the right to say that explosives shall not be carried in interstate commerce, and to regulate the manner in which they shall be carried, because explosives might be destructive to interstate commerce. Congress has also said that dressed meat, fresh or canned, shall not be distributed through the use of the arteries of interstate commerce. But I think there is no cause where the Supreme Court has ever determined or where Congress has exercised the power to say that articles must be graded in interstate commerce when not necessary for the protection of the public health or of public morals. This bill proposes a change in business standards to bring business standards which lack uniformity into a standard of uniformity by saying that grain producers can not use the avenues of commerce unless they grade their products. If Congress can do this it could equally prescribe that no woollen goods shall be carried in interstate commerce unless they shall be analyzed to show how much shoddy, how much cotton, and how much pure wool they contain, or that boots and shoes must be graded as to quality of leather; we think that all this is unconstitutional.

Now, in conclusion, the argument in favor of this bill as it was presented in the Senate was to the effect that the initial farmer of North Dakota or Minnesota sells his grain to the local elevator, and the local elevator man believes that while the grain may be grade 2, if he buys it, it may be classed as grade 3 at the terminal elevator in some other State, and therefore he will not pay the farmer for grade 2 because he thinks he can only sell it for grade 3. I submit that if that evil exists, concerning which I can express no opinion, that it is an intrastate evil. It seems to me that when the local farmer sells wheat to a local elevator, that it is not a transaction of interstate commerce at all, merely because the grain at some future time may go into interstate commerce; and that the law of the State is ample to protect the farmer in seeing that his grain is honestly graded. I do not believe that the mere fact that a Federal inspector, as he thinks, might give a higher grade in another State, would cause the average owner of an elevator to pay the farmer more money than he thought the grain was worth, or than he thought he could buy it for. Local competition must come in there, and I do not believe that Federal inspection in any other State would cure that. In other words, it seems to me that the largest number of transactions under this bill are transactions of intrastate commerce; and so far as it applies to interstate commerce I can not see that there would be any advantage derived from the bill. And in addition we earnestly believe that the Federal Government has not the power to say that the avenues of interstate commerce can only be used in such a way that the articles brought over them shall be graded as to quality, and we rest our case

upon the decision of Chief Justice Marshall in *Gibbons v. Ogden*, that the right of enacting inspection laws is reserved to the sovereign States.

The CHAIRMAN. At the beginning of this inquiry I asked if any gentleman in favor of these bills was ready to speak in their behalf. No one appeared at that time, so the opposition was called upon. Mr. Gronna, if you desire to be heard now, the committee will hear you.

STATEMENT OF HON. ASLE J. GRONNA, A REPRESENTATIVE FROM THE STATE OF NORTH DAKOTA.

Mr. GRONNA. I presume most of those present are here in opposition to the bill. Of course I can not argue upon the bill from a legal standpoint, but I would like to try to show its advantages to the producers of grain.

Mr. Chairman and gentlemen of the committee, I hardly know how to proceed in a matter of this kind; being only an ordinary farmer, while those, in fact most of you upon the committee, are lawyers. I shall not try to discuss this bill from a legal standpoint; that is, as to its constitutionality. But I do know that the producer, whether he is in the West or in the South, is not at all times receiving the price for his grain that he should. It makes but little difference what you class our grain, whether you call it No. 1 or No. 2, so long as we receive the price; that is, if sold by sample. Of course if the grain is bought and sold on grades, it makes some difference. But to illustrate: Suppose I send a carload of wheat to New York or a cargo to Liverpool, the Board of Trade of New York or the Corn Exchange of London pays for No. 2 northern North Dakota wheat as much as they will pay for No. 1 wheat from some other country. You can readily see that classification is not the only factor in fixing the price.

Now, I believe that I have papers here to show that the foreign trade discriminates against the products of the American farmer, especially the grain, for the reason that they do not receive what they call honest grades. I have a letter here, a copy of which was sent to the President of the United States, and one copy to the Secretary of Agriculture—

Mr. STEVENS. Who is the letter from?

Mr. GRONNA. This letter is from the London Corn Trade Association.

Mr. STEVENS. Who is it signed by?

Mr. GRONNA. It is signed by Robert A. Patterson, chairman of the European International Committee on American Grain Certificates. It is quite a lengthy letter, and if the committee will permit me I would like to read it.

The CHAIRMAN. Would it not be just as well—

Mr. STEVENS. I think that that letter embraces the main argument in favor of the proposition.

The CHAIRMAN. Very well, then; proceed.

Mr. GRONNA (reads):

LONDON CORN TRADE ASSOCIATION,
EXCHANGE CHAMBERS, 28 ST. MARY AXE,
London, January 20, 1908.

Mr. PRESIDENT: I am instructed by the European International Committee on American Grain Certificates to communicate to you the following facts.

There has been for some years past a general consensus of opinion among European buyers of grain that the operation of the present system of certificating grain for export

is increasingly unsatisfactory, and that whatever may be its merits for the purposes of domestic trading, it no longer gives to European buyers the confidence and protection which is necessary in a trade where the only guaranty for reliable quality and condition in exchange for buyers' money is a paper certificate. Formerly buyers in buying from the United States of America were able, as they still are in their dealings in grain with other exporting countries, to recover from shippers any damage they sustained owing to defects in quality or condition; but since the introduction of the certificating system this is no longer possible. Even after its introduction, indeed, until comparatively recent times, it was seldom found that any serious abuses arose, and, trusting to their belief in the reliability of the grading system, buyers were willing to continue trading with America on less favorable terms than they demanded elsewhere; but whether from the increase of individual competition, or, what is probably more important, the rivalry between the older ports and their smaller and more recently established competitors, there seems little doubt but that the standard of grading has been lowered, either temporarily, or in some cases permanently, in order to attract business from interior points, and we in Europe feel that the burden of such departure from the more reliable and stricter method in force formerly has been borne chiefly by European importers, who, being far away, have no power of protecting themselves against errors or worse in the grading methods of recent years. The result is that American grain suffers as regards price when in competition with grain from other countries.

The increasing dissatisfaction culminated some twelve months ago in a general request from the principal European grain centers that a conference should be summoned by the London Corn Trade Association to consider the best measure to adopt, in order to remedy the defects of the present system of dealing in grain from the United States of America.

The conference was held in London on the 8th of November, 1907, and was attended by delegates from all European importing countries. It was unanimously resolved that a committee be appointed consisting of 7 members from the United Kingdom and an equal number from other European countries (the latter being represented as follows: Belgium 1, France 1, Germany 3, Holland 1, and Scandinavia 1) to suggest necessary improvements and to negotiate with American grain trade for their adoption.

This committee met and drew up a scheme (a copy of which I have the honor to append) which was submitted to the principal grain associations of the United States of America, but which I regret to say did not only prove unacceptable to the American exchanges, but even failed to draw any counter proposals from them. Indeed, the way in which this subject has been treated by some of the leading grain associations there would almost seem to indicate that there is no desire to recognize the undoubted fact that serious faults have arisen, or that there is any need to amend a system which is responsible for abuses of which European importers universally complain.

Traders here generally recognize that a reliable system of inspection and certificating presents many advantages, but that to be thoroughly reliable it must depend not only upon the expert knowledge, integrity, and independence of the inspection officials, but that the rules for grading by which these officials are bound must be uniform, applying equally to every port, and should be generally known not only in the various American but also in the principal European grain centers, and that wherever possible from time to time type samples should be sent to our leading grain associations.

This is the system adopted by the agricultural department of His Majesty's Government in the Dominion of Canada, and has hitherto proved generally satisfactory.

My committee observed with great satisfaction your reference to this important matter in your last Presidential message, and that there is before your Senate and House of Representatives at the present time a bill embodying some of the above suggestions.

While they would of course have preferred to get their own suggestions accepted by American traders, they wish to be permitted to offer you their sincere congratulations and thanks for the steps you are taking to remedy an undoubted evil, and to assure you of the warm support of the European grain trade in your efforts.

I have the honor to be Your Excellency's most obedient-humble servant,

ROBERT A. PATTERSON,
*Chairman European International
Committee on American Grain Certificates.*

PRESIDENT UNITED STATES OF AMERICA,
White House, Washington, U. S. A.

I also have another letter addressed to the Secretary of Agriculture, dated London, January 15, 1908, which I will read:

(Reads:)

LONDON CORN TRADE ASSOCIATION,
EXCHANGE CHAMBERS, 28 ST. MARY AXE,
London, January 15, 1908.

MR. SECRETARY: By direction of the European International Committee on American Certificates, I have the honor to inclose a copy of a letter I have addressed His Excellency, the President, which I think explains itself; and I have only to add that my committee, representing the European grain trade, desire me to say that they gladly welcome and warmly support such a measure as that now before Congress, by which the grading and certificating of grain, now in the hands of a number of various authorities, partly public and partly private, or at any rate in some cases open to the interference of private interests, will be transferred to a Government department where we consider we may rely, not only on its thorough impartiality but on such complete uniformity of administration at all ports, that European importers will get in future a thoroughly trustworthy certificate.

In this belief my committee hope that you will succeed in getting your proposals accepted, and that the results will prove generally acceptable to all honest dealers in grain.

I have the honor to be, sir, your obedient servant,

ROBERT A. PATTERSON,
*Chairman of the European International Committee
on American Grain Certificates.*

MR. WILSON,
Secretary of Department of Agriculture, Washington, U. S. A.

LONDON CORN TRADE ASSOCIATION,
EXCHANGE CHAMBERS, 28 ST. MARY AXE,
London, February 15, 1908.

SIR: Understanding that you are in charge of the bill for establishing a system of grain inspection entirely controlled by the Federal Government, I beg to inclose you copies of letters which, by direction of my committee, I am addressing to the President of the United States of America and to the Secretary of Agriculture; and would take this opportunity of assuring you of the warm support of the European grain importers, whom I have the honor to represent, who are very dissatisfied with the present system of inspection.

I believe that great efforts are being made to persuade your Senators and House of Representatives that the proposed change is not only unnecessary, but not generally desired, but I can assure you that unless some such change is made, and that shortly, your export trade will suffer severely.

European buyers have lost confidence in the reliability of United States certificates, and American grain consequently suffers in price, buyers giving a preference whenever possible to other grain, and only buying yours when compelled to do so, or at a reduction in price sufficient, in their opinion, to compensate them for risks they run in buying certificate final.

I am also informed that the supporters of the present system allege that your farmers would suffer by the introduction of an improved (i. e., honest) inspection, because they would no longer obtain from European buyers a premium over the price of No. 2 grade for their choice grain. This contention is either frivolous, or it seems to admit that the European buyer is not, or should not be, honestly treated. By far the largest export trade is in No. 2 or lower grades, especially as regards corn, which is, I understand, particularly referred to, proportion sold of anything higher in quality or grade being comparatively very small, so that farmers would not lose business from European buyers of the better qualities. On the other hand, even the present grading rules universally provide for No. 2 being sound, dry, and reasonably clean, and if these requirements were properly fulfilled farmers' position should not be altered in any respect by the proposed change of the grading authority. Moreover, I do not believe that American farmers, dealers, or exporters generally do or would wish to benefit by a system which would permit of anything but honest and straightforward inspection and certificating, and I am convinced that the proposals embodied in your bill are greatly needed in the interest of and would be for the benefit of all honest traders and farmers in the United States of America. We only ask that we shall be put in

no worse position as regards the grain we have to receive under certificates than the American trader, but under the present system, while the European importer buys the same grades under the same rules for grading as the American buyer, it is a matter of common knowledge that the grain exported and certificated at shipping points is several cents a bushel inferior in value to that received by the American trader.

I observe in your bill that no provision is made for the inspection of grain for foreign export, and to give any security or satisfaction to European importers such a provision seems absolutely necessary, and I would further suggest that the rules governing the grades should be permanent; that is, that the crop must fit the grading rules, and not the rules fit the crop. For example, if grain of any crop will not pass the standard of No. 2, as required by the rules, it must go on a lower grade, and not that, as frequently happens, the grading rules may be altered to suit the exigencies of the crop.

This has been found practicable in Canadian government inspection, and would doubtless be found equally so with you.

Thanking you for your efforts in this matter, I am, sir, yours, truly,

ROBERT A. PATTERSON,

Chairman European International Committee on American Grain Certificates.

P. S.—If this letter will be of any assistance to you in putting forward the views of the European grain trade, you are at liberty to make any use of it you may think desirable.

MR. GRONNA,

Representative of North Dakota, House of Representatives Washington, U. S. A.

MR. RYAN. Have you anything from the grower, the farmer of the West, the grain-producer of this country?

MR. GRONNA. I have, but not here; but I will speak of it. We have what we call the Tri-State Grain Growers' Association, composed of farmers of Minnesota, South and North Dakota. They have passed resolutions unanimously, when there were thousands of them in conference, and indorsed this measure. The farmers all throughout the United States indorsed it.

MR. WANGER. Have you a copy of the report of the joint British or continental board, or committees, to which Mr. Patterson refers in his letter?

MR. GRONNA. I have only the letter. I would like the permission of the committee to read a letter from Rotterdam.

MR. TOWNSEND. Will you state briefly what you expect to accomplish by this bill?

MR. GRONNA. After I have read this letter, if I may be permitted to read it, I shall be glad to do that [reads]:

HET COMITÉ VAN GRAANHANDELAREN TE ROTTERDAM,

Rotterdam, February 20, 1907.

Representative A. J. GRONNA, Esq., *Washington, D. C.:*

During the last Berlin grain conference, held January 29 and 30, of this year, by delegates of the German, Holland, and Scandinavian grain trade, the McCumber bill and the other bills of similar character introduced into Congress were one of the chief subjects on the programme.

The question of American grain inspection has been a very important one these latter years, and its having been a subject of the conference programme induces us to assure you of the sympathy that the proposed change in the inspection system has among the members of this association.

During many years already the American grain-inspection certificates have been very unsatisfactory, and immense losses were caused to the buyers on this side by the careless inspection of American grain shipped for export. It has been said by American opponents of the bills mentioned above that the fixing of grades on better and higher standards would injure the export trade, and that the European buyers will not buy anything but the grades which have always been shipped and to which they are accustomed.

We want to energetically deny that anything like this is the case or may be expected when Government grain inspection will have been introduced. On the contrary,

we think that a more reliable inspection will greatly benefit the American grain export trade.

Many important firms in the importing centers on this side have absolutely given up importing American corn, taught by the experience of several years, when a single parcel of this article certified No. 2 mixed, sail mixed, etc., and still showing 30 to 90 per cent damage on arrival, caused a loss greater than the small gain made on many shipments together; they preferred to buy from Argentina, Russia, and the Danube. A better inspection, however, and certificates which give sufficient guaranty that the grade has really been given in accordance with the grain's quality and condition will induce these firms to take up the import of American corn again.

We don't object to the export of inferior grain, but to the fact that the grades are not given according to the condition of the grain, so that the certificates are entirely unreliable. Perhaps some buyers on this side want the inferior grain, but those who deal in the better qualities want to be sure that when they pay a better price for the higher grade the certificate gives them the guaranty to get this grade.

Up till now this has not been the case, and it is quite evident that a more satisfactory inspection will be of great benefit to the trade.

As soon as grades all over the United States are uniform and as soon as certificates of inspection will be reliable, the import of American grain will certainly increase after the sharp decline which it has experienced.

Uniform Government inspection will bring a higher standard of export grain, induce the European importer to buy American grain more freely again, and consequently greatly benefit the honest American exporter at the cost of his dishonest competitor. It will greatly purify the trade and make an end to an unbearable situation.

Yours, truly,

HET COMITÉ VAN GRAANHANDELAREN TE ROTTERDAM,
(ROTTERDAM CORN TRADE ASSOCIATION),

A. COAN, Sr., *President.*

H. VAN RANDERYK, *Secretary.*

EUROPEAN INTERNATIONAL COMMITTEE RE AMERICAN CERTIFICATES,
January 24, 1907.

It was resolved:

(1) That this European international committee calls upon the boards of trade and commercial exchanges of the United States of America and Canada issuing certificates to draw up uniform rules for the grading of grain for export at all their various ports and grain centers. Further, that the said certificating bodies are requested to send to this committee for agreement such rules properly authenticated. When mutually agreed upon, those rules are not to be altered, unless by mutual consent.

(2) That should any certificating authority refuse or neglect to issue and act upon such rules for grading this committee shall report same to the European associations, with a view to exclusion of certificates of said authority from the associations' contracts.

(3) That the certificates of any railroad, elevator, or private trading company or person shall not be recognized.

(4) That this committee calls upon the above-referred-to certificating authorities to send at the beginning of each season samples representing the recognized grades of grain to certain corn-trade associations in Europe, such associations to be designated by the international committee.

(5) That if any buyer questions the correctness of the certificate received he shall, within ten days after final discharge of the shipment, upon payment of a fee of not less than £25 or more than £100 (the amount to be at the discretion of the appeal committee), have the right of appeal to a committee of five members elected by the executive of such of the associations in Europe as may be agreed upon with the said authorities issuing certificates. Should the appeal committee decide that the grain has been improperly certificated, it shall fix the allowance to be paid by seller to buyer.

Fees and expenses to be paid by loser.

Now, Mr. Chairman, I think we can all readily see the object of this bill. At least it is my idea and belief that by enacting a law of this kind the American exporter will have to issue honest certificates. Anyone who has been in business will know that you may buy once and get fooled, it makes no difference what you buy, but if you receive an inferior article that market is going to suffer. Instead of their buying from America, as has been said in these letters and resolutions, they are now buying from Russia, Argentina, and other

countries whenever it is possible for them to do so, and our market is absolutely being discriminated against. These arguments have been made before, but never so thoroughly substantiated as they are in these letters.

The gentleman from Michigan [Mr. Townsend] asked me what we expected to accomplish by the passage of this bill. I will say at the outset that, in my judgment, it would be impossible to pass any law whereby the grading of farmers' grain in an elevator could be regulated by a personal inspection of a Government official. I hope that no one here expects that there should be a Government inspector at every elevator in the United States, because that is not the intention nor the purpose of this bill. In this bill there are a certain number of cities named, and then it goes on to say that the Secretary of Agriculture shall have the power to appoint such inspectors as he may deem necessary. That is all that is asserted in the bill. There are perhaps, 50,000, 60,000, or 75,000 elevators in the United States, and no one who knows anything about the grain business would ask that the Government of the United States should place a Government inspector at every elevator. We are not complaining of the treatment we are receiving from the agents of the local elevators. The system is such that it is impossible for them to remedy all the evils complained of. As a rule, I think the agents of the local elevators are honest men, but they act according to orders given by their superiors. I have dealt with hundreds of them, and I myself am a producer of grain.

I am not going to say anything that would in any way injure the honest dealer in grain. I do not mean to say that the local dealers, or even the terminal dealers, are all dishonest.

Mr. ADAMSON. But your main purpose is to certify the character of the grain to the foreigners?

Mr. GRONNA. The main object of this bill is, that grain that is being bought and sold or that goes into interstate traffic shall be inspected by Government inspectors. If No. 2 wheat is shipped to Duluth, that wheat should be inspected by the Government inspectors as No. 2, and the terminal elevators will be compelled to put that wheat in a No. 2 bin, and not in a No. 1 bin.

Mr. RICHARDSON. Would commercial bodies in certain cities have it inspected also?

Mr. GRONNA. In my State we have no inspection because there is very little wheat sold in the State. The wheat that we sell in the State is sold by sample to local millers, and of course State inspection would be of little value to us.

Mr. ADAMSON. You say the terminal elevator men would be compelled to put it in No. 2 bins. Do you have reference to water points?

Mr. GRONNA. Anywhere where they have terminal elevators.

Mr. ADAMSON. Could he not, by mixing or purifying the grain, change its classification?

Mr. GRONNA. If the wheat is No. 1 wheat, it should be classed as such. If there is foul stuff in the grain, it is docked. Any foreign matter in grain will be treated as dockage and not paid for.

Mr. MANN. It may be No. 1 wheat, but can you sell and grade it as No. 1 wheat if you have but one grade of No. 1 wheat, and mixed with foul seed? Would you call that No. 1 grade wheat?

Mr. GRONNA. Yes; I would.

Mr. MANN. Do you want to accomplish that purpose by this bill?

Mr. STEVENS. Don't you want the grain improved in character?

Mr. GRONNA. That is getting outside of the scope of the bill. If that wheat contains kernels that will warrant the grading of it as No. 1, it makes no difference how much foul seed is in it, because the producer will be docked for the foul seed. I know that, because I have bought and sold wheat myself.

Mr. MANN. It may be that you would dock the producer, but wheat is sold by the pound when it gets into the boards of trade, reduced to bushels.

Mr. GRONNA. Yes; but it is always clean. You would never sell any wheat with dirt in it.

Mr. MANN. Not until after it is bought and paid for.

Mr. GRONNA. It is docked.

Mr. MANN. It is graded, and it is bought on the grade or by sample. It may be bought by sample; and if it is bought on the grade, it is graded.

Mr. GRONNA. There is always allowance made for dockage.

Mr. MANN. I think no allowance is made for anything.

Mr. GRONNA. Absolutely. I will say to the committee in all frankness that I do not want to make any statement that is in any way colored with anything that is not the truth, and I wish to confine my remarks to the system of grading wheat. As I said, if it is No. 1 wheat there may be 20 pounds dirt in it, or there may be 20 pounds of oats in it, and the seller would not receive anything for that, but would be docked for the oats and only paid for the wheat.

Mr. MANN. Is that the way they grade the wheat in North Dakota? You ought to send it to Chicago; it is not graded that way there.

Mr. GRONNA. That may be true, but I am obliged to say that it is a fact. I have brought flax to the elevator that I have myself been interested in, and have been docked 5 pounds, 10 pounds, 20 pounds, and 30 pounds. They are simply buying flax and not the dirt, and perhaps 50 per cent of that dockage may consist of other grains, such as barley and oats.

Mr. MANN. You are absolutely right about that, but you are not selling graded grain, nor can your men sell graded grain until it gets to the general mart and is there graded. The character of the grain that you speak of will be graded ordinarily as rejected grain, grain that is of no value in the market excepting for sample until cleaned, and then regraded as clean graded.

Mr. GRONNA. I must say that you are entirely mistaken about that.

Mr. MANN. I am familiar with the methods in Chicago.

Mr. GRONNA. I am familiar with this business, the connection that I have had with commercial business, together with farming, and I know how grain has been sold. And I think that none of these men who are elevator men will deny that what I have stated is the fact.

Mr. RICHARDSON. You said something about trade being diverted to Russia or Argentina. Do you attribute that alone to the inspection in this country? Are there not other causes for that?

Mr. GRONNA. All I know is what these gentlemen say in these letters; that on account of the dishonest certificates they have received they have been obliged to go to other countries to buy their grain.

Mr. RICHARDSON. Do you not think it is attributable chiefly to the fact that these countries that they have named have more liberal trade relations with Russia than with the United States?

Mr. GRONNA. They do not give that as a reason why they are not dealing with us. The simple reason they give is what I have read in these letters.

Mr. WANGER. Do you know whether those countries provide for the inspection of grain upon arrival in the foreign market?

Mr. GRONNA. No; I know nothing about their methods of grading grain. I do not know anything about it.

Mr. TOWNSEND. What I started to try to find out from Mr. Gronna was this: You stated, I think, that you wanted inspection at terminal points. I take it by that that you mean wherever the elevators are to which it shall be consigned by the owner of the grain, such as Duluth or Minneapolis. Now you propose to have inspection in the elevator, do you not?

Mr. GRONNA. Yes, sir.

Mr. TOWNSEND. You also provide for inspection at the seaboard, at the place of shipment, do you not?

Mr. GRONNA. Yes, sir.

Mr. TOWNSEND. Do you mean to say that the Duluth inspection shall be final, or is that to be modified by the subsequent inspections?

Mr. GRONNA. I think I will refer you to the bill.

Mr. TOWNSEND. I wanted to know what your idea was, because I was confused about that.

Mr. GRONNA. My idea is this: In answering that question I will have to explain how grain is bought and sold in the Western States. In my State some of the grain, as soon as it has been thrashed, is simply loaded in tanks, as we call them, holding from 60 to 135 bushels. The grain in many instances is hauled to the cars, when they can get cars, loaded in the cars, and shipped to certain firms in the cities in the wheat-buying centers—that is, these terminal points.

Mr. MANN. Do you mean the large points, such as Minneapolis?

Mr. GRONNA. Yes, Minneapolis and Duluth, and some of it goes to Superior. But we can not always get cars, nor have we the time nor the conveniences to load it into cars, so considerable of it is put into bins, and some of it is hauled right from the machine to the elevator. If the producer of the grain is dissatisfied with the grade that the elevator agent places upon that particular grain, he can say to the man that he would like to have it placed in a special bin. If the elevator has plenty of room, he will accommodate the farmer and give him a special bin.

Mr. STEVENS. Is there a State law that requires that?

Mr. GRONNA. No, there is not.

Mr. STEVENS. It is a private agreement?

Mr. GRONNA. A private agreement. And as I said before, the elevator agents try to accommodate the farmers in that way as much as possible. I know that to be a fact, that they will give a special bin, but before that grain is shipped it very often happens that they agree upon a certain grade or a certain price, and if they do not agree, this grain will then be shipped to a terminal point in the name of the farmer, and the farmer pays the elevator 2 cents a bushel as expense for handling the grain, that is, running it through

the elevator, weighing it, and again reloading it into the cars. That is what they charge in my State, which is reasonable enough.

I have known of many instances where results have been in the interest of the farmer, but I have also known of instances where the farmer has lost by this particular transaction; but suppose that a farmer would ship his grain, and that in every instance he would make a profit, you can readily see that the elevator system would practically be abolished; there would be no such thing as an elevator needed, because the farmer is not obliged to sell his grain to the elevator man, for he can himself build a cheap bin close to the track, and when he gets a sufficient quantity he can load it on the cars, and it will cost no more to ship his own grain than if it were shipped by the elevator man—that is, I do not think it does.

The bankers' committee of North Dakota made an investigation in the Duluth elevators, and they have the positive proof that more grain of a higher grade has been shipped out than received; say, for instance, 10,000 bushels of No. 1 has been received and 10,000 bushels of No. 2—15,000 bushels of No. 1 shipped out and only 5,000 bushels of No. 2 shipped out.

Mr. WANGER. Has the grain much treatment in the meantime?

Mr. GRONNA. As I said before, that should make no difference, as to the treatment. I claim that that should not have anything to do with these grades, because the dirt that has been taken out of it is not paid for by the elevators. I challenge any elevator man to show that they buy the dirt in the grain. They do not only dock for the dirt and the foul seed, but in almost all cases they will dock for other grain, supposing that there is wheat or barley in flax, or we will suppose that there is barley in wheat.

Mr. ADAMSON. Your contention is that they dock you for so much, but that your grain is purified and put in the proper classification so there is nothing lost.

Mr. GRONNA. That is true.

Mr. ESCH. The elevator company gets the foreign grain?

Mr. GRONNA. Absolutely. Take durum wheat, for instance. It is almost impossible to separate barley from durum wheat. There may be 50 per cent of barley in durum wheat, and if I bring 100 bushels of that wheat to the elevator I will not receive pay for more than 50 bushels of wheat, although it weighs 60 pounds to the bushel.

Mr. ADAMSON. That is, when it is purified there are 50 bushels?

Mr. GRONNA. Yes, sir.

Mr. MANN. Do you say that you get paid for 50 bushels of durum wheat from the elevator?

Mr. GRONNA. Yes, sir.

Mr. MANN. Suppose, instead of selling it to the elevator, you shipped it to the commission man or a board of trade at some place. How much of that would you get paid for then?

Mr. GRONNA. Of course we have the privilege to ship our grain to the terminal elevators and say to them that we want this wheat cleaned or the grain cleaned.

Mr. MANN. But supposing it is sold before it is cleaned. Do they not in fact buy the hundred bushels at a lower price, and you figure that it amounts to the same thing; but in the receipts of the board of

trade at that point will it not show that 100 bushels of grain have been received?

Mr. GRONNA. It will show that so many pounds has been received, but it will also show that the dockage is so much.

Mr. MANN. Oh, no, it will not show what the dockage is?

Mr. GRONNA. Absolutely. I am sorry that I have not the returns here, but I could show you hundreds of them.

Mr. MANN. But nobody can know. The receipts are official for 100 bushels of wheat of some sort—you call it Durum wheat—but that is official, and there is no official dockage until the wheat has been cleaned, and then you have 50 bushels of Durum wheat, on your proposition, and 50 bushels of barley, each subject to a new grading.

Mr. GRONNA. No returns are made until this grain has been tested; no purchase is made.

(At 12 o'clock noon the committee adjourned to meet again at 2 p. m.)

AFTER RECESS.

At 2 o'clock p. m. the committee met, pursuant to adjournment.

The CHAIRMAN. You may proceed, Mr. Gronna.

**STATEMENT OF HON. A. J. GRONNA, A MEMBER OF CONGRESS
FROM THE STATE OF NORTH DAKOTA—Continued.**

Mr. GRONNA. Mr. Chairman and gentlemen, I shall not take up very much of your time. As I stated at the outset, I shall not try to argue the constitutionality of this bill, which you all know is really Senator McCumber's bill. At his request I introduced it in the House, so that it might come before this committee and be considered. The Senator will be here to-morrow and argue that point, if necessary. I was talking with him to-day.

Mr. STEVENS. Did you say that Senator McCumber would be here to-morrow?

Mr. GRONNA. Yes, sir. I asked him if he could be here to-day, but he said that he would like to have it deferred until to-morrow.

I think, however, if it is possible to make laws for the national inspection of meats that it should be possible to make a law for the national inspection of grain.

Mr. TOWNSEND. The national inspection of meat does not undertake to grade and classify the meat, but simply to say whether it is pure or not.

Mr. GRONNA. Exactly.

Mr. TOWNSEND. I want to find out about the inspection of which I asked you this morning. Do you propose that there will be an inspection of your grain, first, at Duluth, we will say—you ship your grain from Dakota, and it is sent to the elevator at Duluth, and you have an inspection there by Government inspectors?

Mr. GRONNA. Yes, sir.

Mr. TOWNSEND. Then, we will say, that grain is shipped to New York, where it is sent abroad. Will you have another inspection at New York?

Mr. GRONNA. There will be a certificate issued at Duluth of the first inspection.

Mr. TOWNSEND. To whom?

Mr. GRONNA. To the party who buys the grain—whoever buys the grain—but I suppose that if the grain is reloaded and resold another inspection could be demanded.

Mr. STEVENS. Is it not a fact that the State of Minnesota's inspection is received everywhere the grain goes?

Mr. GRONNA. The Minnesota inspection has been received, but there is a great deal of complaint; that is what I am arguing.

Mr. TOWNSEND. What would be the benefit of the Duluth inspection in that particular instance if you have another inspection in New York; which is going to be superior?

Mr. GRONNA. There would be but one grade; under national inspection there would be uniformity.

Mr. TOWNSEND. You are assuming that the two inspections would be just alike?

Mr. GRONNA. Yes, sir; absolutely.

Mr. TOWNSEND. What is the use of the two inspections?

Mr. GRONNA. I do not say it will be necessary to have the two, but I presume if a reinspection is demanded——

Mr. TOWNSEND (interrupting). Now, we have the inspection at New York and Duluth. What is the value of the two inspections?

Mr. GRONNA. It is simply this: That we will have an honest inspection and that the grain will be sold in the foreign country upon its merits. The grain will sell for just exactly what it is worth for that particular class and grade. It is claimed that No. 1 wheat is mixed with No. 2 or No. 3 wheat, and the inspection certificate is made out as No. 1. You can readily see that the grain is inferior to what No. 1 should be when shipped out.

Mr. STEVENS. You do not pretend to say that Duluth sends out inferior wheat as No. 1?

Mr. GRONNA. I do intend to say that we have proven and can prove that in Duluth they have received thousands of bushels of grain at a lower grade than has been shipped out; consequently the grade has been raised.

Mr. TOWNSEND. Your wheat is shipped to Liverpool?

Mr. GRONNA. Yes, sir.

Mr. TOWNSEND. And it is inspected there before it is purchased?

Mr. GRONNA. As I stated this morning, I do not know anything about the rules of inspection in the foreign countries. I have always supposed that the grain was bought upon these inspection certificates. The complaint that is made by the foreign boards of trade is that they are not honestly made. The complaint is made that the grain has been mixed between the time that it is received by the terminal elevators and is again received by the boards of trade in foreign countries.

Mr. TOWNSEND. And it results injuriously to the farmer because the grain is not properly graded?

Mr. GRONNA. Yes, sir; absolutely.

Mr. TOWNSEND. And he secures a lower price?

Mr. GRONNA. Yes, sir. It is just the same as before we had the national inspection of meats; our country was discriminated against, but if the Government places its stamp upon a cargo of wheat and says it is No. 1 wheat, I think that we can all readily assume that the effect will be wholesome. The United States Government can

not afford and will not have in their employ inspectors who will not honestly grade the grain.

Mr. STEVENS. You have made rather serious charges that at Duluth they gave different certificates from what they should, and I think you should place in the record whatever evidence you have on that point.

Mr. GRONNA. I do not believe I said they gave a different certificate, but what I said was that we can prove that at Duluth they have received thousands and thousands of bushels of grain at a lower grade than they have shipped out.

Mr. STEVENS. Where have you proved that?

Mr. GRONNA. By the bankers' committee of the State of North Dakota last year.

Mr. STEVENS. Where is the evidence?

Mr. GRONNA. The secretary of the committee is Mr. McFadden, and the president of that committee is Mr. Cashell, of Grafton, N. Dak.

Mr. STEVENS. Are they here?

Mr. GRONNA. No, sir.

Mr. STEVENS. Will any of that evidence be produced here?

Mr. GRONNA. They issued a circular. I was looking for that this morning, but unfortunately I was unable to find it. They made the charge, and to my knowledge it has never been contradicted by the Duluth people.

Mr. STEVENS. Before making that statement you had better wait until the other testimony has been submitted.

Mr. GRONNA. It has never been contradicted in the newspapers. I have never heard it contradicted.

The CHAIRMAN. Suppose that is true, how does that affect harmfully the producer of the grain?

Mr. GRONNA. It affects him in this way: It is dishonest. If that grain is No. 1 the farmer should receive No. 1 for it. If it is No. 2 it should be shipped out as No. 2.

The CHAIRMAN. It is not the property of the producer at the time this inspection is made. He has already parted with it. He has sold it to the elevator man, who has shipped it forward to Duluth.

Mr. GRONNA. Not always. There is a great deal of grain that is loaded on the cars and the farmer ships the grain himself direct to the different people in Duluth, Minneapolis, and Superior, and the returns are sent directly back to the farmer.

Mr. ESCH. Is any Canadian wheat taken in at the Duluth elevators?

Mr. GRONNA. Yes, sir. They take Canadian wheat; it is shipped there in bond, I suppose.

Mr. ESCH. I only asked the question as bearing upon the statement that there was more No. 1 wheat received by the elevators than shipped out. Do you take into account any Canadian wheat?

Mr. GRONNA. It is more the wheat shipped from our State or from the State of Minnesota.

Mr. RYAN. Who determines the grade of the wheat on its receipt at Duluth?

Mr. GRONNA. The board of inspectors of Minnesota. The governor appoints a chief inspector, and then he appoints his deputies.

Mr. RYAN. Has the shipper the right to object to the grade of the wheat?

Mr. GRONNA. He has the right, under the law, I think, to appeal and to ask for a reinspection if he is dissatisfied.

Mr. RYAN. Do you know of any case where that has been done?

Mr. GRONNA. Very often the agents to whom we ship this wheat, if they think the inspection is too low, will ask for a reinspection, but you are simply appealing to the same parties who make the inspection.

Mr. TOWNSEND. Is it not like this with cattle—I want to get at the right of it: Now, if a farmer ships a carload of steers to Kansas City or some other market that corresponds to your terminal elevators, they say to him, "Those are second-grade steers." He knows they are first grade. Would any law that you could pass enable him to get the right price for his steers?

Mr. GRONNA. Absolutely not. That would be just the same as if you sold the grain by sample and not by grade. There is a great deal sold that way.

Mr. TOWNSEND. He does not have to take the statement of any man as to the grade of wheat he has, does he, when he sells it?

Mr. GRONNA. I do not exactly understand that question.

Mr. TOWNSEND. He does not have to accept what some fellow tells him his wheat is?

Mr. GRONNA. At the elevator?

Mr. TOWNSEND. Yes, sir; any more than in the field?

Mr. GRONNA. If he wants to sell it at the elevator he will have to accept the grade. If he does not want to sell it, the only way would be for the farmer to take the wheat back and put it in some warehouse or else leave it until such time as he can get a sufficient quantity to ship a carload himself. As a rule, all grains in the grain States are graded lower in the beginning of the season than they are later on.

Mr. TOWNSEND. What I am getting at is the buyer. The buyer at Duluth or any other terminal elevator point would not have to pay the first-grade price for wheat because some fellow had marked it as first grade; he could put his price on it, and the fellow could take it or not as he saw fit?

Mr. GRONNA. You understand that at Minneapolis the wheat is mostly sold by sample. I think the gentleman from Minnesota will bear me out in that statement. If you go on the board of trade and buy so many thousand bushels of a certain grade, you pay for that particular grade so much and of course the wheat must come up to that grade. It must weigh so many pounds to the bushel. It must not be frozen or shrunken. I have the specifications here, but I shall not go into that. There are practically eight classes of wheat grown in the United States, in different localities, and of course in all those eight classes there are different grades, No. 1, No. 2, No. 3, and No. 4, rejected, and no grade. I contend that by having national inspection whenever grain is shipped out a certificate would be issued and the people across the water or in a foreign country would pay for that wheat upon the presentation of that certificate, as I understand it. Now, the detriment to the producing class, to those who produce grain of any kind, is in not having a uniform system of grading. We do not ask that No. 2 shall be graded as No. 1, we do not ask that a low grade shall be given a higher grade, all we ask is that if our grain weighs so many pounds to the bushel and is of a certain quality, if it comes up to the classification of No. 1 or No. 2, as the

case may be, that the certificate shall be issued in accordance with that.

Mr. ESCH. Mr. Hamlin this morning made the point that a Federal inspection law would do otherwise, because it would fix a standard which would not enable it to be adapted to the climate, soil, etc. What is your view as to that?

Mr. GRONNA. As to the climatic conditions, the only two grains I know of that suffer from climatic conditions are flax and corn, and it would be impossible for us to make any law whereby the producer would be benefited. If a producer of corn does not know enough to prepare his corn for market, and if it contains a whole lot of moisture, he certainly can not expect to get a high grade for it. If it is loaded on a ship with a whole lot of moisture in it, of course it will mold. Flax is also very easily destroyed, but as to the other grains, wheat, rye, barley, or oats, they do not deteriorate, but they improve with age. Any one who knows anything about grain knows that the older the wheat is the better it is.

Mr. RYAN. You can not have a positive fixed standard for either flax or corn according to your statement?

Mr. GRONNA. Yes, sir; we could have a positive standard. Flax is, however, very easily destroyed if you let water on it. Corn, of course, is different. If it has been cured, it will stand a whole lot of moisture. You can throw wheat in the field and let it remain all fall and let it rain on it and it will not spoil at all.

The CHAIRMAN. You stated, Mr. Gronna, that there were eight classes of wheat in the United States. Would it be possible to find in each of those classes a No. 1, No. 2, and No. 3 in the matter of grading? For instance, you have in your country No. 1 hard wheat and in Kansas they produce a wheat that they, perhaps, would call No. 1, that is the best quality they produce, yet the millers at Minneapolis would not value it as they would the No. 1 hard wheat. Would you class both of those best qualities from those two regions as No. 1, or how would you distinguish them?

Mr. GRONNA. They may be classed as No. 1, but as I said there are eight classes—Class 1: Red spring, fife, blue stem, etc. Class 2: Hard winter, Turkey wheat, etc. Class 3: Soft red winter, Little May, etc. Class 4: White winter, Jones amber, Michigan, white, etc. Class 5: White spring, not extensively grown. Class 6: All white, grown on Pacific coast. Class 7: Soft white, club, etc. Class 8: Durum, or macaroni.

Macaroni, as you all know, is the cheapest grade of wheat we have—that is, they pay less for it in the market, and yet you have No. 1 macaroni, but it is known as a macaroni or durum wheat.

Mr. ADAMSON. Is that what the Dagoes make the macaroni out of we eat?

Mr. GRONNA. I presume probably it is. I know something about macaroni wheat, but I shall not take time to go into that, because it is not important. Each one of those classes has No. 1, No. 2, No. 3, No. 4, and so on, but they are different classes of wheat, and they are known as such in the markets of the United States and in the markets of the world.

The CHAIRMAN. Do these certificates of inspection you speak of certify as to that fact?

Mr. GRONNA. Yes, sir. I do not believe that I have anything further to offer to the committee.

Mr. ESCH. The Secretary of Agriculture in his last annual report, if I recall, strongly indorses this proposition of Federal grain inspection. Do you know on what he bases that recommendation or on what investigation he bases that recommendation?

Mr. GRONNA. I can not speak for the Secretary of Agriculture. I wish the committee would call him here so that he can make a statement himself, because I may not be able to give it correctly. I know that he has said this, that there has been a good deal of complaint of the system we have of grading and classifying wheat. Those complaints come to him, and it is on account of those complaints, which have come from the agricultural districts in the West and other parts of the United States, that he thinks a national-inspection law would be beneficial.

Mr. TOWNSEND. Why would not an inspection of the grain at the place of export cover all the ground, if it is the foreign market that is affected, and all the argument that I have thus far heard applies to that?

Mr. GRONNA. Well, I think that it is necessary to have an inspection for all grains that enter into interstate commerce. We sell a great deal of grain to millers in this country.

Mr. TOWNSEND. You have not provided for that, you have only provided for the grain going from certain cities?

Mr. GRONNA. We have provided for all the places wherever grain is handled: Portland, Me.; Boston; New York; Philadelphia; Baltimore; Chicago; Minneapolis; Duluth; Superior; Kansas City, Mo.; St. Louis; New Orleans; Seattle; Tacoma, and San Francisco, and at such other important centers of interstate trade and commerce in grain as he may consider necessary or proper for carrying out the provisions of this act.

Mr. TOWNSEND. I regard Jackson, Mich., as a very important center?

Mr. GRONNA. Then if it is, there would be an inspector placed there; there is no question about that.

The CHAIRMAN. You are a farmer, you say?

Mr. GRONNA. Yes, sir.

The CHAIRMAN. When do you get paid for your grain, at what time—when you deliver it to the nearest elevator?

Mr. GRONNA. If we sell it to the elevator we get paid for it when sale is made.

The CHAIRMAN. Is it not the practice usually to sell it at the elevator?

Mr. GRONNA. To a large extent.

The CHAIRMAN. When you sell it and get your pay you are quits with it?

Mr. GRONNA. Whenever I sell it to the elevator, so far as I am concerned as a farmer, that is all I have to say.

The CHAIRMAN. Does this bill improve your position or the position of the man subsequently dealing in the grain?

Mr. GRONNA. It is certainly beneficial to me, because if the United States makes a market for wheat, if the foreign countries come to the United States and buy wheat, there will be a demand for it and I will get the benefit of the price.

The CHAIRMAN. It is an indirect benefit that you get?

Mr. GRONNA. Yes, sir. It is really what I would call a direct benefit.

Mr. ADAMSON. Then you ask it not because anybody has charged that any grain is unwholesome or impure, but because you think it will help to raise the price of your grain in the foreign market?

Mr. GRONNA. It will raise the price if they come here and buy the wheat.

Mr. ADAMSON. And that is the benefit you see in it?

Mr. GRONNA. Yes, sir.

Mr. RYAN. Then the inspection might only be necessary at the place where it is loaded for export?

Mr. GRONNA. I do not know as to that. I think it is necessary to have this inspection at all these points where they are buying the grain. I think that is a practical business proposition.

Mr. ADAMSON. Do you not think that Federal inspection goes far enough when it undertakes to inspect and protect against impurities and unwholesomeness without undertaking to guarantee financial results to citizens?

Mr. GRONNA. This bill does not touch upon that at all.

Mr. ADAMSON. You say that is the purpose of the bill, to certify the grains so as to get a better price?

Mr. GRONNA. What I intended to say was this: If we raise No. 1 wheat, it should be graded No. 1, and if we raise No. 4 wheat, all we ask is to have it graded as No. 4.

Mr. ADAMSON. You think it will help you to get better prices if the Government certifies to the grades?

Mr. GRONNA. The complaint of the boards of trade in other countries is that they can not depend on our inspection.

Mr. ADAMSON. I understand that, but if the Government will inspect and guarantee the grades you will get a better price?

Mr. GRONNA. Absolutely. There is no reason why the producer should not have an interest in a measure of this kind.

I have some figures, but I shall not trouble the committee with them; I ask leave to have them printed in my remarks.

I want to thank the committee for their attention.

STATEMENT OF MR. S. M. RATCLIFFE, PRESIDENT CORN EXCHANGE, CHAMBER OF COMMERCE, BUFFALO, N. Y.

Mr. RATCLIFFE. The Corn Exchange is the body that controls the grain rules and regulations at the port of Buffalo. We are here with a delegation in opposition to the principle of Federal inspection and to make some remarks in opposition to the provisions of the bill, but they are limited. After hearing the former speaker I thought of answering some of his points, but since your talk I do not think it is necessary. The cost of handling grain through elevators seems to be very expensive in the northwest. My experience has not been that. At Buffalo it is a nominal charge of half a cent a bushel with lake elevators, and that which comes from Ohio, Indiana, Illinois, Michigan, from the interior, from the producer, is handled at Buffalo at no cost. The railroad rate of freight which is charged to bring the grain forward includes the cost of transfer and handling there. I simply touch on that to show that the producer gets the benefit from the nominal charge of handling the grain.

Mr. TOWNSEND. What arrangement do you have with the railroads by which there is no extra charge made?

Mr. RATCLIFFE. That is a railroad arrangement in bringing the grain forward. They quote a rate of freight and that rate of freight includes the cost of transferring and weighing. The rate of freight includes all that charge.

Mr. STEVENS. Is there not a question in the courts somewhere as to whether a railroad can make that arrangement where it does not own an elevator?

Mr. RATCLIFFE. I am not a lawyer and can not answer that question.

Mr. RYAN. Is it true that the elevators are owned and operated by the railroads at Buffalo?

Mr. RATCLIFFE. The elevators there are on railroad property, but I do not know that they are owned by the railroads.

Another point, in following a shipment of grain through inspection it does not change the quality. If it is graded as No. 1 or No. 2 at the port of arise, that does not change its quality, as has been stated here. The change comes in the cleaning and in the blending and mixing after it goes into the elevator, so that if it is No. 1 on one side of the elevator and No. 2 and No. 3 on the other and those grades all go into the elevator, the lower grades are improved by cleaning and separating the ingredients that have caused it to be put into a lower grade and the product out can be graded No. 1 without any harm to the producer. The producer can not take his grain and corn to an elevator in poor condition and have it go into the elevator as No. 2 and after it is mixed with some No. 1 and the product graded as No. 1 he can not very well get the price of No. 1. He has already parted with his grain.

The CHAIRMAN. Do you operate an elevator?

Mr. RATCLIFFE. No, sir.

The CHAIRMAN. Are you familiar with the operations in your city?

Mr. RATCLIFFE. Yes, sir.

The CHAIRMAN. Is all wheat, for instance, received at the elevator there put through any cleansing process?

Mr. RATCLIFFE. No, sir; some of the wheat is.

The CHAIRMAN. Is it a common practice to mix different grades of wheat? That is, you receive your wheat there graded. Do you change those grades by mixtures?

Mr. RATCLIFFE. No; that is not a common practice in Buffalo in regard to wheat. Wheat comes down in vessel loads mostly and is not mixed to any great extent there.

The CHAIRMAN. Does all the wheat that comes to the elevator there come with a specific grade?

Mr. RATCLIFFE. Not all; mostly all.

The CHAIRMAN. Where is that graded; at the point of shipment?

Mr. RATCLIFFE. At the port where it is shipped.

The CHAIRMAN. Who is it graded by?

Mr. RATCLIFFE. Some ports have State inspection and others have inspection by the board of trade or chamber of commerce at that port.

The CHAIRMAN. Is there any uniform standard of grades in the territory from which grain comes to your elevators in Buffalo?

Mr. RATCLIFFE. I can tell you what we do at Buffalo.

The CHAIRMAN. You say that the wheat all comes to you graded; now, are those grades fixed by any common authority so that they are uniform at all the ports from which you receive consignments?

Mr. RATCLIFFE. The wheat from Duluth is one grade, Chicago one grade, and from some other port another grade.

The CHAIRMAN. No. 1 wheat—is that grade uniform throughout all this territory?

Mr. RATCLIFFE. I do not think I quite get the idea.

Mr. STEVENS. Are your grains uniform from Duluth and Toledo?

Mr. RATCLIFFE. Toledo does not handle the same kind of wheat that Duluth does. Duluth is the northwestern spring wheat; Toledo is winter wheat.

Mr. STEVENS. That is what we wanted you to tell us.

The CHAIRMAN. Does each of those ports from which shipments are made to Buffalo have its own standard of excellence in grading wheat?

Mr. RATCLIFFE. Yes, sir; they have their grades and inspection.

The CHAIRMAN. Each port?

Mr. RATCLIFFE. Yes, sir.

The CHAIRMAN. They are not necessarily uniform?

Mr. RATCLIFFE. No, sir; each one has its own rules and regulations.

The CHAIRMAN. When you receive a consignment of wheat and want to fix its value, without having examined it, do you take into account the character of the inspection of the particular port from which it comes?

Mr. RATCLIFFE. At Buffalo we have rules covering each kind of grain and from the section it comes. We have rules covering spring wheat from the Northwest, hard winter wheat from the Northwest, also from the Southwest and West, and the rules for soft winter wheat.

The CHAIRMAN. Your board in Buffalo establishes those rules?

Mr. RATCLIFFE. Yes, sir.

The CHAIRMAN. You do not recognize necessarily the rules of Duluth or the rules of Minneapolis?

Mr. RATCLIFFE. Only so far as we have to govern our rules and our regulations to meet them.

Mr. CHURCHILL. May I suggest that the phraseology so far as the rules are concerned to which you refer are almost identically the same. If there is any difference, it would only be as one man might interpret them.

Mr. TOWNSEND. Do you export grain yourself?

Mr. RATCLIFFE. No, sir.

Mr. TOWNSEND. Do you know anything about that?

Mr. RATCLIFFE. Very little. I have sold grain for export.

Mr. TOWNSEND. Do you know whether the grain that is exported is composed of a mixture of several grades—for instance, possibly No. 1, No. 2, and No. 3 grades?

Mr. RATCLIFFE. I do not know what the export grades are made of. I am not familiar. I do not export anything.

Mr. RICHARDSON. I do not understand this proposition, and I want to get you to explain to me the difference between the way we rate cotton and you grade wheat. Cotton is rated by the judgment of the man who goes and examines it. What is the difference in your grading of the wheat; does not that rest finally upon the judgment of some one man? You have no fixed standard by which you grade it?

Mr. RATCLIFFE. Yes, sir; we establish a standard for each grade. The committee of the exchange who are over the chief inspector, establish a standard for each grade, and the grain is graded according to that standard.

Mr. RICHARDSON. The gentleman who was here before the committee took a recess said that you might have a bushel of wheat and 30 per cent of it would be barley. Do you sell that as real wheat?

Mr. RATCLIFFE. No, sir; that has to be sold by sample. There is no grade to apply to it. That is a mixture of wheat and barley, and can not be sold until after it is separated. It is sold for feed; it is not good enough for milling.

Mr. RYAN. Will you furnish this committee, either now or later on, with a copy of the regulations of your board for the inspection of grain at the port of Buffalo?

Mr. RATCLIFFE. Yes, sir.

Mr. RICHARDSON. The inspector who is appointed by the board of trade is no public officer, and he simply gives his judgment about what that wheat grades, what it is?

Mr. RATCLIFFE. Yes, sir.

Mr. RICHARDSON. And he is paid by the board of trade to do that?

Mr. RATCLIFFE. Yes, sir.

Mr. RICHARDSON. He is not a public officer at all?

Mr. RATCLIFFE. He is a public officer just in so far as he does it for both the receiver and the shipper.

Mr. RICHARDSON. He stands between the two?

Mr. RATCLIFFE. Yes, sir; between the buyer and the seller.

Mr. RICHARDSON. You also have inspectors designated under the State law?

Mr. RATCLIFFE. There is no State law in New York.

Mr. RICHARDSON. Some of the States have laws?

Mr. RATCLIFFE. Yes, sir; Minnesota has.

The CHAIRMAN. What is the amount of grain sales on your board of trade; what will the transactions of a year aggregate, in bushels?

Mr. RATCLIFFE. I do not believe I have any figures to cover that.

The CHAIRMAN. Can you give it approximately?

Mr. RATCLIFFE. I can not do that. I know that last season the arrivals by rail—

The CHAIRMAN (interrupting). I am not asking about arrivals.

Mr. RATCLIFFE. I think I can explain that by saying that the arrivals by rail were nearly equal to Chicago. That grain all came to Buffalo and was sold to go into consumption.

The CHAIRMAN. Can you give me any idea, approximately, of the total number of bushels of grain sold on your board of trade during the year?

Mr. RATCLIFFE. I can not.

The CHAIRMAN. Do you not keep a record of all the transactions?

Mr. RATCLIFFE. No, sir; they are not kept by the Corn Exchange. Each individual firm keeps track of its own trades.

The CHAIRMAN. You do keep a record of the actual arrivals?

Mr. RATCLIFFE. What is brought in and inspected is of record in the exchange.

The CHAIRMAN. Is that all—that is brought in and inspected?

Mr. RATCLIFFE. Yes, sir.

The CHAIRMAN. There are other sales than those that are inspected.

Mr. CHURCHILL. I might say, Mr. Chairman, that the sales were confined largely to arrivals.

The CHAIRMAN. Are those recorded or actual sales?

Mr. CHURCHILL. Actual sales.

The CHAIRMAN. Are there no speculative sales on your board?

Mr. CHURCHILL. No, sir.

Mr. RATCLIFFE. There is no trading in futures at all.

The CHAIRMAN. Do you make shipments direct to European ports from Buffalo?

Mr. RATCLIFFE. Not personally.

The CHAIRMAN. Are there any made direct?

Mr. RATCLIFFE. I think they do make some shipments.

The CHAIRMAN. On through bills of lading?

Mr. RATCLIFFE. I think so.

The CHAIRMAN. What inspection governs in a case of that kind—that of Buffalo?

Mr. RATCLIFFE. It would all depend on the terms of the contract. Usually my understanding is that it is sold by the grade at the export point.

The CHAIRMAN. There are no shipments that go through the Welland Canal to European ports?

Mr. RATCLIFFE. No, sir.

With your permission, I will have our secretary read this argument.

The secretary (Mr. Fred. E. Pond) read as follows:

PROTEST OF THE CORN EXCHANGE OF THE CHAMBER OF COMMERCE, BUFFALO, N. Y., AGAINST ENACTMENT OF HOUSE BILLS NOS. 6293, 6294, AND 14770, AND AGAINST THE PRINCIPLES INVOLVED.

To Committee on Interstate and Foreign Commerce, House of Representatives:

RESOLUTIONS.

Whereas there is now pending before the Sixtieth Congress House bills Nos. 6293, 6294, and 14770, providing for the inspection and grading of grain entering into interstate commerce, and to secure uniformity in standards and classification of grain, and for other purposes; and

Whereas grain interests have been granted an opportunity to appear before your honorable body, the Corn Exchange of the Chamber of Commerce of Buffalo, N. Y., desires to place before you its argument on the following points:

First. The unfeasibleness of the application of the proposed uniformity in grain inspection.

Second. Grain markets permitting cleaning and mixing of low grades of grain into higher grades.

Third. Depriving grain exchanges of their privilege of conducting a business enterprise.

Fourth. Responsibility for inspectors' errors in grading.

Fifth. Points where grain is to be inspected under this bill and the improbability of these grades being correct at destination.

Sixth. Grain inspection entitled to equal privileges at all points.

Seventh. State laws to remedy abuses complained of.

And therefore be it

Resolved, That we are unalterably opposed to such legislation and protest against the provisions of these bills and the principles involved therein.

The proposed House bills, Nos. 6293 and 6294, referred by the House of Representatives to your committee for consideration have, we believe, been compiled upon the basis of claiming that the present methods of inspecting grain are a continuous proceeding of irregularities, with the ultimate aim in view of enriching the grain receiver and forcing upon the grain producer unfair settlements for his product, defrauding him

out of the full benefit of his grain by having it graded less than its actual worth, and also condemning the labors of the grain inspectors employed by the various exchanges, in that they accuse them of not grading grain on a fair and impartial basis, thereby withholding from the producer the full benefit of the worth of his product, and that the said inspectors exert themselves in the interests of the receiver on every doubtful question that may arise in fixing grades.

The principal advocates of the policy of Government uniformity of grain inspection have inspired a feeling of unrest, dissatisfaction, and suspicion among the grain shipping community and against the receivers of grain in every market throughout the country, leading them to believe that their products are being mercilessly subjected to conditions which render an illegitimate profit to the receiver at the expense of the producer. These accusations we deny and claim can not be substantiated against the Buffalo market.

The effect of the argument favoring these bills is to condemn all exchanges, whether the inspection is performed wholly under the auspices of the exchanges in the different markets or under the State inspection, and it is worthy of note that the alleged abuses of inspection as claimed by the sponsors of these bills find the seed planted in the operation of the inspection under State authorities.

Again, it is maintained that the system of inspection under control by the State (and the presumption is that under these bills all exchanges are also included) are antagonistic to the interests of the shipper, for the reason that it is maintained that all are working on a different basis of inspection, owing to the lack of uniformity in grading.

The paramount issue involved in the principle of determining the grades under the direction of the Federal Government is the theory of operating on a basis of uniform rules, compelling all grades to be fixed the same in all markets, which set of rules require an unvarying application. In considering the application of these rules, which of necessity must be technical in character, it affords many possibilities for injury. These rules must specify either a maximum or a minimum per cent of the object points, which are the means of determining the grade, or else the term "reasonable" must be applied to the elements entering into the grades; with special reference to corn, the process of moisture test must be applied with a fixed maximum per cent for the grades of No. 1, No. 2, No. 3, and No. 4, and under the theory of the uniform inspection this application must be technically applied, as, for instance, 19 per cent is generally accepted as the proper maximum moisture for No. 3 corn, and on this basis corn carrying 19.1 per cent moisture must necessarily be graded No. 4, account of moisture, when in all other respects the same corn may be equal to the best quality of No. 3 corn, and for all commercial purposes should be graded as such.

Uniform inspection, according to the provisions of these bills, must be operated by a corps of many thousands of inspectors, working under varying climatic and atmospheric conditions, handling crops of many different qualities, in as many different States, but still the only application of the uniform inspection can be to make the grade on all qualities of crops on exactly the same basis. As to phraseology, there is no material difference in the wording of rules at the present time among most of the grain exchanges, but it is the application of grading under these rules by individual inspectors that the seeming difference in uniformity occurs; for example, inspection rules for Nos. 2 and 3 yellow corn can be worded identical in all grain markets, and yet you will find that grain experts do not agree upon the dividing line, where the grade of No. 2 ends and where No. 3 begins. It is our contention that if the uniform inspection is to be other than the pursuit of a theoretical idea, natural condition must be changed, the thousands of grain inspectors, acting as they must under widely differing conditions, dealing with almost unlimited qualities in grain, as produced in the different sections of the country, and the uncontrollable variance in the application of uniform inspection, under so many different inspectors, which obstacles are beyond Government remedy; that until the grain crops have a uniform growth, until the climatic and atmospheric conditions are invariable, and until the sense of sight, of touch, and of smell of all grain inspectors are uniform, until this great diversity of conditions over which no human agency has control are equalized, that to claim that the grain production marketed in this country can be inspected uniformly is to seek to master a physical impossibility.

It seems to be argued that grain markets are manipulating grades to the injury of the producer. Is such an argument defensible? Buffalo grain dealers are in competition with each other. All are receiving grain from western points and competing with each other in the same eastern territory, both the eastern and western man must be satisfied. Similar conditions undoubtedly exist in other markets. Different markets are competitors, as are the merchants dealing in the individual markets. Buffalo seeks to attract all the grain possible to her market, also to increase her prestige as a grain center. She can only dispose of her proportion of grain received on a

competitive basis, as between merchants and with each market endeavoring to attract all the business available. This is a natural custom in trade, and must have of necessity compelled the grain merchants during the many years of handling a continual yearly increase in grain receipts, to have at least adhered to an equitable standard of grading and satisfactory disposition of the grain. The laws of free competition relative to grain, the same as any other line of business, do not permit of other than a fair disposition of the grain.

It is also advocated that the producer is deprived of the full value of his grain from a practice in terminal markets in that many thousands of bushels of grain are inspected in on a low grade concurrently with like grain of higher grades, and at the close of the season the shipments show a perceptible decrease of the low grades and a corresponding increase of the higher grades. Upon the compilation of figures this charge may seem unanswerable, but its staple worth will bear investigation. When the farmer markets his product it is as a rule in the same condition as when harvested, and a certain portion will naturally grade on a low scale, due to numerous objectionable features. There are many causes which force grain into a lower grade, and at the same time the grain itself may be of reasonably good quality. These causes may be removed and the grain be worthy of a higher grade. Government control of the inspection will not remove these conditions. One of the principal purposes of an elevator is, for a stipulated fee, to handle this grain, remove the objectionable ingredients, and put it in the best marketable condition. The farmer is paid for the quality of grain he ships. Values in grain have a wide range, and accordingly the consumer receives the quality for which he is willing to pay, and competition compels the merchants to furnish full value according to the price received. If the farmer sends an unfinished product to the market, he must expect to pay the cost of cleaning, etc., in order to receive the top of the grade and price.

The facilities of elevators for handling, cleaning, and blending this low grade of grain is the means of enabling the producer to receive a better price for this portion of his product. Comparing the price received by the farmer during the recent years with the price received during the period of the less developed business methods of the grain business, you will find that this condition has accrued to the material benefit of the producer. From another view point the remedy of the farmer is in his own hands. He must be content with letting other interests perform this labor, or he must, at his own expense, prepare his product for the market in like manner as it is now cared for, and then his grain will be credited with the result he produces. The inspecting and handling of the grain production resolves itself into innumerable individual business transactions, for the reason that each parcel of grain must stand on its own merits, irrespective of the crop it is a portion of or the market it enters. This is a commercial problem subject to local conditions, and the exchanges, together with the grain interests, should enjoy the undisturbed privilege of conducting their own business without having imposed upon them the extra burdens which will be forced through the operation of these bills.

The business of inspecting and handling grain contains the elements of private business enterprise. Viewing the question on this basis, the exchanges must exist, and a portion of their support is the funds arising out of the nominal fee for inspecting grain, which business is authorized by and conducted under protection of the laws of the State in which the exchange is located, and we contend that the Federal Government should not usurp this privilege so long as the business is conducted in conformity to the laws of the State. If this source of revenue is taken from the exchanges, it will add an additional expense to the producer. The exchanges are maintained in the interest of the grain, and it must carry a portion of the expense, and, accordingly, when one source of maintenance is cut off, another must be sought by means of increased charges for handling the grain. Any way you wish to anticipate this proposed legislation you are taxing the producer.

There is no provision in these bills whereby the Government is to assume any responsibility for the errors of inspectors in fixing grades. A Government inspection certificate does not necessarily conclude the correctness of the grade. The merchants dealing in the Buffalo market are protected by its inspection department for any just claims, due to the errors of its employees. What protection is offered under the terms of these bills against inspectors' errors?

We also note that under the terms of these bills the grain shipper is entitled to have the grade of his grain fixed at the point of shipment, or at the first available point for inspection. Any person familiar with the natural tendency of grain to get out of condition, especially corn and oats, during the movement of the new crops, and during the germinating season for corn, which two periods cover at least six months of the year, knows that all grain will not keep in sufficiently good condition to retain the grade at destination that it would be entitled to at the originating point. This

makes it necessary to reinspect the same grain at destination, and thereby be compelled, under the force of the condition of the grain, to change the grade. This being an indisputable condition, nothing would be accomplished in the way of the Government fixing the grades. The fact that it is the Government that is fixing the grade is not going to content the shipper that his grain is only of No. 4 or "No grade value" in Buffalo, when it left some western point on a higher inspection. Or, assume that you do not inspect at originating point, but only at destination, the shipper has knowledge of his product, also holds some expectations as to its grades, and the Government inspection fixing the grade at destination, which, if correctly graded, must under the force to the condition of the grain be lower than it was entitled to when shipped. In either case you are not improving conditions. You can not change the shipper's idea of the quality of his grain, and it can not be seriously said that the fact that the Government is making the grade is going to satisfy him that the low grade is just what he is entitled to.

The inspection rules in vogue at Buffalo have no secret meaning nor technical wording, and neither are they private property for the grain dealers in our markets; in fact, they are continually in the hands of thousands of shippers. These rules call for certain standards as to quality, and on these rules our grain is graded and under which the merits of the grain are the first consideration, which, of necessity, must accrue equally to the benefit of both the producer and the consumer. These are facts that can and will be substantiated to any one skeptical as to the ways and means of operating the present system of grain inspection as applied at Buffalo.

We believe that the Federal Government can not, under provision of any bill, provide for inspecting grain at certain points and exclude many other points where grain interests are entitled to equal privileges at the points where their interests lie. The Government will not compel business to be routed via certain points. To avoid granting special privileges, it would be necessary to supply many thousands of points with inspectors to provide for all routing. This will entail an enormous expense, which the grain must eventually pay.

In conclusion, we believe it is the purpose of the laws of the separate States to protect its citizens against irregularities committed within its borders. While the advocates of these bills are, as a matter of fact, condemning the practices of the exchanges in all States, and asking relief of the Federal Government, the arguments thus far disclose that it is a relief sought to remedy abuses principally in the Northwest. Why should the Federal Government interfere in the enterprise of the grain exchanges in the grading and handling of grain as is now conducted in a large per cent of the inspection departments against whom no charges have been made or proven.

S. M. RATCLIFFE, *Chairman.*
FRED E. POND, *Secretary.*
L. S. CHURCHILL.

Mr. RICHARDSON. The purport of that is that you contend there can be no uniformity in the grading of wheat.

Mr. POND. That is correct. It is against the principle of uniform inspection.

Mr. RICHARDSON. How is that? If you have a certain class of people in one market and the same class in another market, the rule should apply in one market as well as in another.

Mr. RATCLIFFE. The rule will apply all right. In the West, or at some other point, he may get up in the morning feeling pretty good, and it might look better to him than a man at some other point. When he gets up in the morning after he has not had so good a night, he would put it at a lower grade. There are no two inspectors in this country to-day, no matter how long they have been in the business, that will agree on two grades.

Mr. RICHARDSON. That is what I wanted to call attention to, and it is the same with our cotton. It is the man's judgment of the cotton at Nashville, Tenn., and the man's judgment at New Orleans, in Louisiana. It depends upon the judgment of that man. If one pronounces it middling cotton, and somebody else says it is off middling, the market is governed by that man.

The CHAIRMAN. But isn't that true of the meat-inspection law? Do we not have to rely upon the judgment of men?

Mr. RATCLIFFE. I do not know what the meat-inspection law is.

The CHAIRMAN. But your objection apparently, your principal objection, grows out of the fact of the great multitude of inspectors that would be necessary to appoint and the probability of varying judgments of these men. Suppose that instead of a great multitude of men there were only a sufficient number of inspectors to inspect the grain at the point of departure from the United States to a foreign market—some dozen cities, perhaps, where there could be more or less unanimity so far as the judgment of men can be perfected. If that was the purpose of the bill, would your objection still exist, and would you still have objections to the bill?

Mr. RATCLIFFE. We would have the objections stated in the balance of the argument. There are other objections that we have. The fewer the inspectors, of course, the nearer to getting the same decision at each port.

The CHAIRMAN. Take, for instance, the inspectors on the Atlantic seaboard. There would be substantially the same climatic differences that would affect wheat, probably the same moisture in proximity to the sea. Suppose they were located there; would not that do away with your objections?

Mr. RATCLIFFE. That would be merely inspection for export.

The CHAIRMAN. For export, yes.

Mr. RATCLIFFE. But that would not affect us in the interior, that I know of.

The CHAIRMAN. Then you would have no objection to a bill that provided for that export inspection, the inspectors to be located at the port of departure.

Mr. RATCLIFFE. I could not take that stand, because I am not an exporter.

The CHAIRMAN. Then the bill would not affect you at all.

Mr. RATCLIFFE. It would not affect us of course. You must understand that gentlemen that are at export points could probably answer that; I could not.

The CHAIRMAN. Then from your present standpoint there would be no objection to this bill if its operation was limited to the inspection of export grain at the port of departure?

Mr. CHURCHILL. We would object to it. This bill provides that the only appeal that could be made from that inspector would be to the Agricultural Department. In the present system, to which the gentlemen from Alabama made reference, we have a chief inspector, and an appeal could be taken from him in a day to the board of appeals consisting of five men, who are supposed to represent the best judgment that we have in our department, and the appeal is at once decided.

There would be no dispute on grains absolutely within the required standard. These disputes arise on line grades. If one man's judgment is taken and accepted by either the buyers or the man interested in it, he has an appeal to five men, and a majority of that five must decide the case, which is final. I do not see how it would be possible at a port of export for an appeal to be taken on a line grade, and wait for an answer. If that was the practice, the business would back up on us in the interior and we would have our troubles.

The CHAIRMAN. As I understand it, the purpose of this legislation is to protect the American markets abroad, securing a truthful and honest inspection at the time of the departure for the foreign market.

Mr. CHURCHILL. Primarily, as I understand it, this bill is for interstate business, and of course it includes our business abroad.

The CHAIRMAN. I am perhaps in error in saying that that was the purpose of the bill. My inquiry was as to the objection that you would have to those features of the bill.

Mr. CHURCHILL. My objections are all the way through the bill.

Mr. RICHARDSON. Your argument is that all of the inspections provided for in this bill are not needed?

Mr. CHURCHILL. Yes, sir.

Mr. POND. If the provision was made that this grain should not be touched with reference to inspection until it reached the seaboard point for export, only the export cities would be affected. True, it would not in that case affect Buffalo, but we hold that the purport of this bill is such that this grain must be inspected at various points through its entire course from the originating point, and if it is to be inspected, if that is the interpretation of the bill, then it affects Buffalo, and our argument holds with reference to the grain passing through interstate trade up to Buffalo, and before it gets to the seaboard for export alone.

Mr. RICHARDSON. If it is at the place of exportation, then it would not protect the interior man at all.

Mr. POND. You would have no inspection in the interior at all.

Mr. RICHARDSON. None at all, and that would leave the producer in the hands of the man who bought the wheat from him.

Mr. POND. They are protected at the present time.

Mr. RICHARDSON. Of course I understand that, but I am getting at what you mean.

The CHAIRMAN. How is the producer protected?

Mr. POND. Through every exchange in the country—Buffalo, and I presume it is fair to include other exchanges.

The CHAIRMAN. Are there many producers of wheat that ship to you at Buffalo?

Mr. RATCLIFFE. Yes, sir; producers and buyers.

The CHAIRMAN. I know about the buyers, and am not including them. I say, are there many producers, men who produce and grow the wheat?

Mr. RATCLIFFE. There are some, not many; very few.

The CHAIRMAN. So that it is out of his hands before you gentlemen begin to deal with it?

Mr. RATCLIFFE. Yes, it has left him altogether.

The CHAIRMAN. I would like to ask the Secretary of the Corn Exchange (Mr. Pond) whether his records show the volume of transactions in grain upon the exchange in the year 1907.

Mr. POND. The output?

The CHAIRMAN. Receipts and output, of course.

Mr. POND. As to the latest arrivals, I would not be able to give you the figures offhand, but the aggregate grain in 1907 was in the neighborhood of thirty-four to thirty-five thousand individual cars.

The CHAIRMAN. Are there no transactions at all known to your exchange excepting those where there is an actual purchase and sale and delivery of the grain?

Mr. RATCLIFFE. That is all there is.

The CHAIRMAN. But I want the Secretary to answer that.

Mr. RATCLIFFE. Being a merchant I thought I could answer.

Mr. POND. Practically all.

The CHAIRMAN. There are no speculative transactions of any character?

Mr. POND. Buffalo is a cash market only.

The CHAIRMAN. But I ask you only this question: I want to know if there are any speculative transactions there, any excepting those that are absolutely bona fide, in which the grain is in existence and in the hands of the seller, and is delivered to purchasers?

Mr. POND. In the Buffalo market, no.

The CHAIRMAN. I received a letter from a gentleman this morning, calling my attention to the sale of 100,000,000 bushels of wheat in the Chicago Board of Trade in one day; and another gentleman made the statement to me that the sales of grain on that board in one year equaled the immense aggregate of 20 billions of bushels, or something like eighteen times the total amount of grain produced in the United States in a year.

Mr. TOWNSEND. I suppose you run bucket shops around there, do you not?

Mr. RATCLIFFE. I think there are bucket shops around town, but not among the members of our exchange.

The CHAIRMAN. You would not allow an operator of a bucket shop membership in your exchange, would you?

Mr. POND. No, sir.

The CHAIRMAN. That speaks very well for the respectability of your exchange.

THE CORN EXCHANGE OF THE CHAMBER OF COMMERCE,
Buffalo, N. Y., March 7, 1908.

Hon. WM. H. RYAN,
Washington, D. C.

DEAR SIR: Inclosed herewith find copies of rules used in determining the "Grades of grain" at the port of Buffalo.

We also submit statement showing the approximate receipts and shipments at the port of Buffalo for the year 1907.

Grain receipts (both lake and rail) 1907.

	Bushels.
Wheat.....	68,209,000
Corn.....	55,561,200
Oats.....	25,176,000
Rye.....	1,452,000
Barley.....	11,803,600
Flax seed.....	13,456,000
Total.....	175,657,800
In elevators close of 1906.....	12,294,011
	187,951,811
In elevators close of 1907.....	6,112,534
Approximate port receipts.....	181,839,277
Shipments (both lake and rail) 1907.....	184,211,975
Excess of shipments over port receipts.....	2,372,698

The excess of shipments over port receipts is accounted for in that at the close of 1906 10,000,000 bushels were afloat and the close of 1907 showed 7,000,000 bushels afloat, making an additional shipment of "afloat grain" of 2,000,000 bushels.

Very respectfully, yours,

FRED E. POND, *Secretary.*

Grades of grain established by the Corn Exchange, Buffalo, N. Y., in force on and after July 10, 1906.

WINTER WHEAT.

No. 1 red winter wheat shall be sound, dry, and well cleaned, the greater part of which shall consist of the dark-colored varieties, and test not less than 60 pounds to the measured bushel.

No. 2 red winter wheat shall be sound, dry, and reasonably clean, contain not more than 5 per cent white winter wheat, and test not less than 58 pounds to the measured bushel.

Extra No. 3 red winter wheat shall be sound, of the same varieties as No. 2 red winter wheat, and test not less than 56 pounds to the measured bushel.

No. 3 red winter wheat shall be reasonably sound, not clean or plump enough for extra No. 3 red winter wheat, and test not less than 54 pounds to the measured bushel.

No. 4 red winter wheat shall include all merchantable red winter wheat not good enough for a higher grade on account of poor quality or light weight, not wet or in a heating condition.

No. 1 hard winter wheat shall be sound, dry, plump, well cleaned, and test not less than 60 pounds to the measured bushel.

No. 2 hard winter wheat shall be sound, dry, reasonably clean, and test not less than 58 pounds to the measured bushel.

No. 3 hard winter wheat shall be reasonably sound, not clean or plump enough for No. 2 hard winter wheat, and test not less than 56 pounds to the measured bushel.

No. 4 hard winter wheat shall include all merchantable hard winter wheat not good enough for a higher grade on account of poor quality, light weight, bleached or tough, not wet or in a heating condition.

No. 1 white winter wheat shall be sound, dry, plump, well cleaned, and test not less than 58 pounds to the measured bushel.

No. 2 white winter wheat shall be sound, dry, and reasonably clean; contain not more than 5 per cent red winter wheat and test not less than 56 pounds to the measured bushel.

No. 3 white winter wheat shall be reasonably sound, not clean or plump enough for No. 2 white winter wheat, and test not less than 54 pounds to the measured bushel.

No. 4 white winter wheat shall include all merchantable white winter wheat not good enough for a higher grade on account of poor quality or light weight, not wet or in a heating condition.

No. 2 mixed winter wheat shall be red and white winter wheats mixed; equal to No. 2 red winter wheat in all other respects.

No. 3 mixed winter wheat shall be red and white winter wheats mixed; equal to No. 3 red winter wheat in all other respects.

[SPRING WHEAT.]

No. 1 hard spring wheat shall be sound, dry, reasonably plump, bright, and well cleaned; contain not less than 60 per cent hard scotch fife wheat, and test not less than 57½ pounds to the measured bushel.

No. 1 northern spring wheat shall be sound and well cleaned; contain not less than 50 per cent hard varieties of spring wheat, and test not less than 56½ pounds to the measured bushel.

No. 2 northern spring wheat shall be sound, clean, and of good milling quality, and test not less than 55½ pounds to the measured bushel.

No. 3 northern spring wheat shall be reasonably sound, not clean or plump enough for No. 2 northern spring wheat, and test not less than 53½ pounds to the measured bushel.

No. 4 northern spring wheat shall include all merchantable northern spring wheat not good enough for a higher grade on account of poor quality, shrunken, dirty, or smutty—not wet or in a heating condition; and test not less than 48½ pounds to the measured bushel.

DURUM [MACARONI] WHEAT.]

No. 1 durum wheat shall be bright, sound, and well cleaned and be composed of durum, commonly known as macaroni wheat.

No. 2 durum wheat shall include wheat that is bleached and shrunken.

No. 3 durum wheat shall include all wheat that is badly bleached, smutty, or for any other cause unfit for No. 2.

No. 4 durum wheat shall include all wheat that is very smutty, badly bleached, and grown, or for any cause unfit for No. 3.

PACIFIC WHEAT.

No. 1 Pacific red wheat shall be sound, dry, plump, and well cleaned.

No. 2 Pacific red wheat shall be sound, dry, and reasonably clean.

No. 3 Pacific red wheat shall include all merchantable Pacific red wheat not good enough for a higher grade on account of poor quality, that is fit for warehousing, and not wet or in a heating condition.

No. 1 Pacific white wheat shall be sound, dry, plump, and well cleaned.

No. 2 Pacific white wheat shall be sound, dry, and reasonably clean.

No. 3 Pacific white wheat shall include all merchantable Pacific white wheat not good enough for a higher grade on account of poor quality, that is fit for warehousing and not wet or in a heating condition.

NOTE.—The grades of Pacific red and Pacific white wheat are to include such wheats as are grown in Montana, Idaho, and on the Pacific slope, from either spring or winter seeding.

NOTE.—All wheat that is very damp, decidedly smutty, or has a decided smutty or other bad smell (except in cases where the rules specifically allow smut) is in a heating condition, badly bin-burned, or considered unsafe for warehousing, whatever grade it might otherwise be, shall be reported as "no grade" with inspector's notations as to quality and condition.

NOTE A.—Hard and northern spring wheats from Duluth shall be designated as such when requested.

NOTE B.—Hard winter wheat shall be excluded from Nos. 1 and 2, and not over 5 per cent allowed in extra No. 3 red winter wheat.

NOTE C.—Such portions of cargoes of wheat as are discolored by iron-ore dust shall be rejected as though they were damaged by water or other causes.

NOTE D.—All wheat graded "Extra No. 3" or "No. 3" because of too much dirt, chaff, or seeds that can be cleaned to grade No. 2, shall be so noted on the inspection ticket.

YELLOW CORN.

No. 1 yellow corn shall be yellow corn, sound, dry, plump, and well cleaned.

No. 2 yellow corn shall be 90 per cent yellow, dry, and reasonably clean; not plump enough for No. 1 yellow corn.

No. 3 yellow corn shall be 90 per cent yellow, reasonably dry, and reasonably clean; not sound enough for No. 2 yellow corn.

No. 4 yellow corn shall include all merchantable corn, 90 per cent yellow, not good enough for a higher grade on account of poor quality or being soft, not wet, or in a heating condition.

WHITE CORN.

No. 1 white corn shall be white, sound, dry, plump, and well cleaned.

No. 2 white corn shall be 95 per cent white, dry, and reasonably clean; not plump enough for No. 1 white corn.

No. 3 white corn shall be 95 per cent white, reasonably dry, and reasonably clean; not sound enough for No. 2 white corn.

No. 4 white corn shall include all merchantable white corn, 95 per cent white, not good enough for a higher grade on account of poor quality or being soft, not wet or in a heating condition.

MIXED CORN.

No. 1 mixed corn shall be sound, dry, plump, and well cleaned.

No. 2 mixed corn shall be dry and reasonably clean; not plump enough for No. 1 mixed corn.

No. 3 mixed corn shall be reasonably dry and reasonably clean; not sound enough for No. 2 mixed corn.

No. 4 mixed corn shall include all merchantable mixed corn not good enough for a higher grade on account of poor quality or being soft, not wet or in a heating condition.

No. 2 high mixed corn shall be 70 per cent yellow, dry, and reasonably clean.

No. 3 high mixed corn shall be 70 per cent yellow, reasonably dry, and reasonably clean; not sound enough for No. 2 high mixed corn.

No. 4 high mixed corn shall include all merchantable corn, 70 per cent yellow, not good enough for a higher grade on account of poor quality or being soft, not wet or in a heating condition.

KILN-DRIED YELLOW CORN.

No. 2 kiln-dried yellow corn shall be 90 per cent yellow corn, sound, reasonably clean, and thoroughly kiln-dried.

No. 3 kiln-dried yellow corn shall be 90 per cent yellow corn, reasonably sound, reasonably clean, and thoroughly kiln-dried.

No. 4 kiln-dried yellow corn shall include all merchantable kiln-dried corn, 90 per cent yellow, not good enough for a higher grade on account of poor quality or being very dirty; must be reasonably well kiln-dried.

KILN-DRIED MIXED CORN.

No. 2 kiln-dried mixed corn shall be sound, reasonably clean, and thoroughly kiln-dried.

No. 3 kiln-dried mixed corn shall be reasonably sound, reasonably clean, and thoroughly kiln-dried.

No. 4 kiln-dried mixed corn shall include all merchantable kiln-dried mixed corn, not good enough for a higher grade on account of poor quality or being very dirty; must be reasonably well kiln-dried.

KILN-DRIED HIGH-MIXED CORN.

No. 2 high-mixed kiln-dried corn shall be 70 per cent yellow, sound, reasonably clean, and thoroughly kiln-dried.

No. 3 high-mixed kiln-dried corn shall be 70 per cent yellow, reasonably sound, reasonably clean, and thoroughly kiln-dried.

No. 4 high-mixed kiln-dried corn shall include all merchantable kiln-dried corn, 70 per cent yellow, not good enough for a higher grade on account of poor quality or being very dirty; must be reasonably well kiln-dried.

KILN-DRIED WHITE CORN.

No. 2 kiln-dried white corn shall be 95 per cent white corn, sound, reasonably clean, and thoroughly kiln-dried.

No. 3 kiln-dried white corn shall be 95 per cent white, reasonably sound, reasonably clean, and thoroughly kiln-dried.

No. 4 kiln-dried white corn shall be 95 per cent white and include all merchantable kiln-dried white corn, not good enough for a higher grade on account of poor quality or being very dirty; must be reasonably well kiln-dried.

Note.—All corn that is very soft, musty, or carries any other bad smell, is in a heating condition, badly bin burned, or considered unsafe for warehousing, whatever grade it might otherwise be, shall be reported as "no grade" with the inspector's notations as to quality and condition.

WHITE OATS.

No. 1 white oats shall be white, sound, sweet, reasonably free from other grains, and test not less than 32 pounds to the measured bushel.

No. 2 white oats shall be 92 per cent white oats, sweet, reasonably clean, reasonably free from other grains, and test not less than 28 pounds to the measured bushel.

No. 3 white oats shall be 92 per cent white, not sound or clean enough for No. 2 white oats, and test not less than 26 pounds to the measured bushel.

No. 4 white oats shall include all merchantable oats, 92 per cent white, not good enough for a higher grade on account of poor quality, musty, or slightly mow burned, not wet or in a heating condition, and test not less than 24 pounds to the measured bushel.

MIXED OATS.

No. 1 mixed oats shall be sound, clean, reasonably free from other grains, and test not less than 32 pounds to the measured bushel.

No. 2 mixed oats shall be sweet, reasonably clean, reasonably free from other grains, and test not less than 28 pounds to the measured bushel.

No. 3 mixed oats shall be mixed oats, not sound or clean enough for No. 2 mixed, and test not less than 26 pounds to the measured bushel.

No. 4 mixed oats shall include all merchantable mixed oats, not good enough for a higher grade on account of poor quality, musty, or slightly mow burned, not wet or in a heating condition, and test not less than 24 pounds to the measured bushel.

WHITE CLIPPED OATS.

No. 1 white clipped oats shall be 92 per cent white, sound, bright, well cleaned, reasonably free from other grains, and test not less than 36 pounds to the measured bushel.

No. 2 white clipped oats shall be 92 per cent white, reasonably sound, reasonably bright, reasonably free from other grains, well cleaned, and test not less than 32 pounds to the measured bushel.

No. 3 white clipped oats shall be 92 per cent white, reasonably sound, reasonably clean, reasonably free from other grains, and test not less than 30 pounds to the measured bushel.

No. 4 white clipped oats shall include all merchantable white clipped oats, 92 per cent white, not good enough for a higher grade on account of poor quality, damp, slightly mow burned, or musty, not wet or in a heating condition.

MIXED CLIPPED OATS.

No. 2 mixed clipped oats shall be reasonably sound, reasonably free from other grains, may be stained, but well cleaned, and test not less than 32 pounds to the measured bushel.

No. 3 mixed clipped oats shall be reasonably sound, reasonably clean, reasonably free from other grains, and test not less than 28 pounds to the measured bushel.

No. 4 mixed clipped oats shall include all merchantable mixed clipped oats, not good enough for a higher grade on account of poor quality, damp, musty, or slightly mow-burned, not wet or in a heating condition.

NOTE.—All oats that are very damp, very musty, or carry any other bad smell, are in a heating condition; badly mow-burned or are considered unsafe for warehousing, whatever grade they might otherwise be, shall be reported as "no grade" with inspector's notations as to quality and condition.

NOTE.—In bulkings, oats should be separated according to the test weights at 32, 34, 36, 38, and 40 pounds for clips; natural, under 32 pounds and over 34 pounds.

RYE.

No. 1 rye shall be sound, plump, bright, and well cleaned.

No. 2 rye shall be sound, reasonably clean, and reasonably free from other grains.

No. 3 rye shall be reasonably clean, but not sufficiently sound for No. 2 rye.

No. 4 rye shall include all merchantable rye, not good enough for a higher grade on account of poor quality, damp or musty, not wet or in a heating condition.

NOTE.—All rye that is very damp, very musty, or carries any other bad smell, is in a heating condition, bin-burned, or considered unsafe for warehousing; whatever grade it might otherwise be, shall be reported as "no grade" with inspector's notations as to quality and condition.

BARLEY (WESTERN BARLEY).

No. 1 barley shall be plump, bright, clean, and free from other grains.

No. 2 barley shall be sound, of healthy color, not plump enough for No. 1; reasonably clean and reasonably free from other grains.

No. 3 barley shall include slightly shrunken and otherwise slightly damaged barley, not good enough for No. 2.

No. 4 barley shall include all barley fit for malting purposes, not good enough for No. 3.

No. 5 barley shall include all barley which is badly damaged or for any cause unfit for malting purposes, except that barley which has been chemically treated, shall not be graded at all.

Scotch barley, the grades of Nos. 1, 2, and 3 Scotch shall correspond in all respects with the grades of Nos. 1, 2, and 3, except that they shall be of the Scotch variety.

CANADA BARLEY.

No. 1 barley shall be plump, bright, sound, clean, and free from other grains.

No. 2 barley shall be reasonably clean, sound, not bright or plump enough for No. 1, and reasonably free from other grains.

No. 3 barley shall include shrunken or otherwise slightly damaged barley; testing not less than 40½ pounds to the measured bushel.

Extra No. 3 barley shall be reasonably clean, sound, not bright or plump enough for No. 2, and reasonably free from other grains.

Rejected barley. All barley which is damp, musty, or from any cause badly damaged, or largely mixed with other grain, shall be graded as rejected.

STATE BARLEY.

No. 1 six-rowed State barley shall be of a bright, natural color, sound, clean; and test not less than 48 pounds to the measured bushel.

No. 2 bright six-rowed State barley shall be of bright, natural color, sound, clean; and test not less than 46 pounds to the measured bushel.

No. 2 six-rowed State barley shall be sound, clean, of good color; and test not less than 46 pounds to the measured bushel.

Extra No. 2 six-rowed State barley shall be sound and reasonably clean; and test not less than 45 pounds to the measured bushel.

No. 3 six-rowed State barley shall include all barley that is shrunken, discolored, but reasonably sound and fit for malting purposes.

Rejected six-rowed State barley shall be the same in all respects as rejected Canada barley.

No. 1 two-rowed State barley shall be sound, clean, and bright; and test not less than 48 pounds to the measured bushel.

No. 2 two-rowed State barley shall be sound, reasonably clean, of good color; and test not less than 48 pounds to the measured bushel.

No. 3 two-rowed State barley shall include all light stained barley, reasonably sound, that is fit for malting purposes.

Rejected two-rowed State barley shall include all unsound barley.

NOTE.—All barley that is very damp, decidedly smutty, or has a decided smutty or other bad smell, is in a heating condition, badly bin-burned or considered unsafe for warehousing, whatever grade it might otherwise be, shall be reported as "no grade" with inspector's notations as to quality and condition.

NOTE.—The grade of any "plugged" car shall in no case be above that of the poorest quality found therein, nor shall any grain mixed with foreign substances, screenings, or otherwise "doctored" with intent to deceive be classed as high by one grade as it would otherwise merit. Weevily, burnt, limed, or grain contaminated with iron ore shall not be graded, but sold by sample only.

STATEMENT OF MR. JAMES L. KING, OF THE COMMERCIAL EXCHANGE OF PHILADELPHIA.

MR. KING. Mr. Chairman and gentlemen of the committee, our statement will be very brief, and in a general way we wish to file our objections to these proposed measures. We do not care to take the matter up in detail, for we feel that Mr. Hamlin, of Boston, who represents interests that are practically identical with ours, has handled the details of the matter. We have prepared, however, some specific objections to the proposed measures, which we will leave with you. I think I had better read first the action of our board of directors in relation to this matter, so as to place it before you [reads]:

THE COMMERCIAL EXCHANGE OF PHILADELPHIA, *Philadelphia, December 12, 1907.*

At a stated meeting of the board of directors of the Commercial Exchange of Philadelphia, held in the board room of the exchange this day, the following resolution was unanimously adopted:

"Resolved, That this exchange is unalterably opposed to Government inspection of grain, believing it to be not only impracticable, but unjust and impossible of proper application to the requirements of the commerce of the country."

Attest:

FRANK E. MARSHALL, *Secretary.*

Memorandum of objections to federal inspection of grain re bills H. R. 6293-6294 and 14770.

PHILADELPHIA, *March 2, 1908.*

The proposed law invites Government care over certain lines of business which are best left to be worked out as ordinary private enterprises. It would tend to harass and possibly destroy many branches of the grain business which depend for their success upon the free operation of the ordinary laws of wholesome competition and unrestricted operation free from the domination of any central authority. The differ-

ent sections of our country not only raise different grades of the same grain, but also have their peculiar needs governed by the ordinary laws of trade, as, for instance, the State of Pennsylvania produces a kind of wheat peculiar to itself, which finds its natural market in the States of Pennsylvania, New Jersey, Delaware, and Maryland, and possibly farther south; also to some extent in New York City. Any attempt on the part of the Federal Government to nationalize the handling of this grain or bring it under subjection to laws which are made to operate in Kansas, Dakota, or California would be unwholesome and disastrous.

Then, again, in the matter of corn, the requirements for corn to grade No. 2 yellow in passing through New Orleans or Galveston for export to Europe at any time of the year, but especially in summer, would necessarily, owing to climatic conditions, be much more rigid than those governing the same kind of corn which might be exported from Boston, Portland, or northern ports, where the climate is much cooler and drier.

The CHAIRMAN. Why is that? Is added moisture imparted to the No. 2 yellow corn in passing through New Orleans?

Mr. KING. Yes, sir.

The CHAIRMAN. What percentage?

Mr. KING. Additional to the winter corn?

The CHAIRMAN. Yes.

Mr. KING. I would hardly know how to give a correct answer to that, but I would think probably 5 to 8 per cent.

The CHAIRMAN. Will corn passing through the elevators in New Orleans take on additional moisture?

Mr. KING. It will, indeed, according to the climate it happens to pass through from the time of shipment and the amount of moisture that it has in it when loaded in the car, loaded in one climate and going into another climate producing decomposition, from which results the spoiling of the corn. (Reads):

The proposed legislation lacks elasticity in its application and tends to hamper the free movement of the grain trade.

The grain business of the country has been built up under the present system of inspection of grain which is governed largely, if not entirely, by private enterprises as organized in boards of trade, exchanges, and other similar bodies. It would be impossible to calculate the benefits which our country has received from the increased export of grain through various ports both on the Atlantic and Pacific seaboard, and the growth of this export trade during the last half century or more, under the conditions of inspection which have been gradually perfected after long experience and study, is, we think, the strongest argument against interference with such inspection by the Federal Government.

The vast army of inspectors which would be required by the proposed legislation, and which would be scattered all over the country, would be a large item of expense to the Government without any adequate return, and, furthermore, the question would come up in the case of export grain as to who should pay the damages when claims are made by foreign buyers against the inspection departments in the United States. Would the Government propose to stand such claims?

The proposed legislation would, we think, place too much power in the hands of one man, however careful he might be, and it could hardly be expected of any one man in the position of Secretary of Agriculture that he should be a competent judge of all the grades of grain throughout the country and the conditions which govern them. The bills as drawn do not specify any maximum charge for inspection, and there is therefore the possibility of the charge for inspection being put so high as to be prohibitory and to be an intolerable burden upon the trade.

SPECIFIC OBJECTIONS TO H. R. BILL 6293.

Section 2. The cities named in this section do not include some important centers such as Toledo, Ohio; Peoria, Ill.; Milwaukee, Wis.

Section 3. The specification for salary by the words "Performing similar duties" is too indefinite.

Section 5. Too much latitude is given at the close of this section in regard to modifying or changing grades.

Section 8. Requires inspection (by its literal interpretation) at any point where an interstate shipment may terminate, thus a shipment from Peoria, Ill., to a small

place like Muncy, Pa., would have to be inspected at Muncy, although there might be no inspector within 150 miles of the place.

The second paragraph of this section on page 4 (lines 4 to 10 inclusive) making it unlawful for any person to unload grain which has not been inspected in interstate trade, is so manifestly in restraint of trade and such a burden to business, that it is beneath criticism.

Section 12. Is not properly expressed.

Section 13. Would admit shipment of a cargo, say 50,000 bushels of corn, from Peoria to Liverpool via Philadelphia, or New York, or Boston without inspection at the seaboard, but would require inspection at the seaboard of such a cargo if shipped from Chicago, St. Louis, or Kansas City. Evidently unreasonable.

SPECIFIC OBJECTIONS TO H. R. BILL 6294.

In section 1, page 1, line No. 6, the chief inspector is required to have had at least three years experience in buying grain. This would not qualify him.

In the same section, page 2, line 7, the expression "Leading centers of interstate trade and commerce" is too indefinite.

In section 4, page 4, line 10, a reference is made to section 8; manifest error, probably the reference should be to section 10.

Section 6 provides that no inspector shall be interested in the purchasing, selling, or shipping of grain in the market where he is employed; but he might be interested in the market from which the grain comes. The safeguard is insufficient.

Section 10 provides that inspection shall not be required when the grain is consigned to a mill, to a private storehouse, or to a public warehouse. What is an export elevator if not a public warehouse? This section seems to conflict with apparent purpose of the whole bill.

MEMORANDUM OF OBJECTIONS OF BILL H. R. 14770.

Page 1, section 1. Three years' experience is not sufficient for an inspector.

Page 2, section 2. The number of inspectors to be employed should not be limited; that is to say, no fixed number can be named.

Page 2, section 2. Two years' practical experience is not sufficient for an inspector.

Page 5, section 7. It would be impossible to fix a permanent standard, inasmuch as the crops, as well as the different kinds of grain and the different varieties of the same grain, are liable to constant fluctuations.

Page 6, section 8. The provision for certain shipments not being inspected, is too indefinite, and would surely lead to almost endless confusion.

Pages 6 and 7, section 9, would result in serious blockades to the railroad companies at many stations.

[SEAL.]

JAMES HANCOCK,
President.

JAS. L. KING,
Chairman Committee.

FRANK E. MARSHALL,
Secretary.

Mr. TOWNSEND. Do you export corn?

Mr. KING. No; I have been connected with the Commercial Exchange of Philadelphia for a number of years.

Mr. TOWNSEND. What is done with the grain that you buy?

Mr. KING. The grain that I buy is sold largely for domestic use. I am a distributor throughout the interior and in the market of Philadelphia. I am a little familiar with the rules of our exchange, and might give you some information if desired.

Mr. TOWNSEND. Do you know whether in exporting grain the exporter takes different grades, marked different grades when they come into the elevator, and mixes them and sells them as of a higher grade than any one of the constituent grades?

Mr. KING. No; he does not. There is mixing done of course in all export elevators, practically all elevators. It has to be done because of the character of the grain in the United States, particularly with corn that has deteriorated so much within the last few years. I do

not know why it is, but corn has been very much softer for four or five crops than it was a few years ago. It would be almost impossible for the farmer to receive anything scarcely for that grain in its raw condition if he took the price at the terminal at the eastern market at the time it arrived there. If that grain was not treated—and it is necessary in order to improve that low grade to treat it and dry it; and the grades are so made up for the various export markets as to permit mixing a certain portion of that low grade with a larger portion of a higher grade without doing the higher grade any injury.

Mr. TOWNSEND. As I understand it, the principal complaint that the proponents of the bill presented to us is that grain is sold abroad under a certificate of inspection that is not true, that is not faithful, and that does not represent the actual condition or grade of the grain. Do you know anything about that?

Mr. KING. So far as Philadelphia is concerned, and I think the statement will carry with the other export markets along the domestic seaboard, with all due respect to the gentleman who has made that statement, I must deny it absolutely. It is to our interest, if we are going to continue in the export business, to maintain our standard. We can not expect to do any business if we do not sell people the right kind of grain.

Mr. TOWNSEND. Is American grain being discriminated against, as has been stated here, to your knowledge?

Mr. KING. Not along the Atlantic seaboard. It has been in some of the southern ports, because they have undertaken to buy grain at southern ports at certain seasons when the foreigner should not have bought it there. Take, for instance, in Philadelphia, the man in London or Liverpool buys corn in Philadelphia on Philadelphia inspection. He knows very well that he takes a certain risk in buying that corn at that time, and he is not willing to pay an additional price to get what they call the rye terms for delivery over there. The exporters will sell it on rye terms, that is, guaranteeing the condition of the grain on arrival in London or Liverpool. They are not willing to pay the additional price, so they take the chances themselves when they buy the grain at Philadelphia, New York, or Baltimore, or wherever they buy it, at certain seasons of the year when those chances are greater than in other seasons.

Mr. RYAN. Does the guaranty cost much additional?

Mr. MARSHALL. Sometimes they take no chances at all, while at other times it amounts to about 5 cents a bushel added to the profits of the export. There is more of that in the germinating season—

Mr. RYAN. Outside of the germinating seasons, is there very much additional cost for that guaranty?

Mr. MARSHALL. It is something a man does not care to undertake if he can avoid it.

Mr. KING. When corn begins to sprout, it will sprout wherever it is, even if it is in a car.

Mr. TOWNSEND. It will do that wherever it is.

Mr. KING. Especially in the sprouting season.

The CHAIRMAN. This guaranty covers risks that are not covered by the insurance policy?

Mr. KING. It is entirely distinct. We claim that this measure, so far as the export market is concerned, is uncalled for, because the export business has been built up on the system of inspection which

has been perfected by the various exchanges. For instance, let me cite you briefly to the amount of business we have done in Philadelphia. From 1883 to 1894 we exported about 122,000,000 bushels of grain. From 1895 to 1906, inclusive, we exported 275,000,000 bushels of grain. Boston practically has the same system of inspection. I had the honor of being president of the exchange for three years, and was in close contact with any complaints that might come into our market from foreign markets, and I think I am safe in saying that during that period we did not have over four or five complaints that reached the exchange. There might have been some complaints that came to shippers, but the complaints of course always fall back on the grades of the exchange, and if the shipper receives a complaint it naturally gets back to the exchange.

Mr. RYAN. About what percentage of the export grain of this country leaves your port?

Mr. MARSHALL. We have shipped as high as 150,000,000 bushels in a year on a total crop of about 3,000,000,000 bushels.

Mr. KING. The foreigner will buy the grain wherever he can buy it cheapest.

Mr. STEVENS. You heard the statement read by Mr. Gronna from the foreign buyers?

Mr. KING. Yes, sir.

Mr. STEVENS. And that there was evident complaint on their part against American exports. Do you know anything about that? Have any of those complaints reached your exchange?

Mr. KING. Yes; they have.

Mr. STEVENS. What is the basis of those complaints?

Mr. KING. The basis of those complaints I think, so far as the foreigners are concerned, comes from some of the ports of this country, particularly some of the southern ports, that have not maintained their proper standard, and in consequence of that those ports have practically been boycotted, you might say.

Mr. STEVENS. In the foreign markets?

Mr. KING. Yes, sir. It soon becomes known, as they have their exchanges there just the same as we have them here; and when they find out that certain ports have not a standard high enough to justify any buying from them they do not buy, that is all.

Mr. RICHARDSON. What are those ports that are boycotted?

Mr. KING. I would not want to go into details on that, but that is a matter of record with the Agricultural Department, as to which ports are in disrepute. I would feel a little delicacy in naming them, being from a competitive market, and I hope I may be excused from doing so.

Mr. RYAN. You are not required to answer.

Mr. WANGER. Has that affected the general American market, or has it only affected the ports that failed to maintain proper inspection?

Mr. KING. In my judgment it has only affected those ports.

Mr. STEVENS. You do not think it has affected the general prices of American grains in the markets of Europe?

Mr. KING. Not in the slightest; no, sir. Take for instance, Argentina. Argentina recently has been selling a great deal of wheat. They have been selling it simply because it has been cheaper wheat, and in consequence of their selling cheap, the market here has been declining until a few days ago they withdrew their sales, there has been a demand here, and our market has been going up.

Mr. ESCH. Are the standards of the boards of trade at Galveston, New Orleans, and Mobile substantially like yours?

Mr. KING. No; I should not say they were except as to such southern ports, as Newport News. I think generally their standards are perhaps lower than ours. Am I correct, Mr. Marshall?

Mr. MARSHALL. I think so; a little more dangerous.

Mr. KING. Something on account of their climatic conditions.

Mr. ESCH. They have a standard for No. 1?

Mr. KING. Yes.

Mr. ESCH. And you have?

Mr. KING. Yes.

Mr. ESCH. So that the product shipped abroad as No. 1 from those two ports may be an entirely different product?

Mr. KING. It might be a different character of grain.

Mr. ESCH. Would that be an argument in favor of the Federal inspection?

Mr. KING. No, I think not. We have made in Chicago an effort in the last few years to adopt some uniformity of standard, the grain men getting together there for that purpose. But we have found it impossible to adopt any uniformity of standard of grain which would be applicable to the whole United States. They might make it for certain sections, but we find that the character of the grain and the climatic conditions are such that it would be impossible to adopt a uniform standard which would hold good all over the United States, or in fact the eastern part of it.

Mr. STEVENS. On what basis is the bulk of it sold?

Mr. KING. On our official inspection certificates.

Mr. STEVENS. And they are received in the various markets of Europe?

Mr. KING. Yes, sir.

Mr. STEVENS. And subject to no particular deductions or complaints?

Mr. KING. Not in the slightest. The buyers come back, and we frequently get complimentary letters as to the character of the grain coming out. I have a number of letters complimenting the exchange during my term as president, upon the character of the inspection.

Mr. STEVENS. Do you receive any complaints from the interior of your section, from those who purchase from you, as to the character of grain furnished on certificates?

Mr. KING. We get very little of that. Of course there are occasional mistakes of judgment, and that is one argument against this bill, that the process of appeal is very slow.

Mr. STEVENS. Do you receive any complaints from the producers with reference to your inspection?

Mr. KING. We have a little. We have had some, but nothing of any consequence; nothing to hurt the shipments through the market at all.

Mr. RICHARDSON. In the event that there was a mistake made at the present time in grading wheat, and the farmer was damaged by that mistake because it was graded too low, would there be anyone held responsible for the mistake in judgment?

Mr. KING. Is there any one held responsible?

Mr. RICHARDSON. Yes.

Mr. KING. The exchange is responsible for this grade.

Mr. RICHARDSON. The exchange is responsible for the grade?

Mr. KING. Yes, sir; with an appeal fund.

Mr. RICHARDSON. Where do you set the place that the judgment has been wrong, or the mistake has been made?

Mr. KING. We have a system in our exchange for settling that. We have a grain committee that is authorized to hear these appeals. They determine whether the inspector has made an error of judgment or not, and if he has, and anybody has been injured by reason of that error of judgment, the exchange has to foot the bill.

Mr. RICHARDSON. That looks to me to be perfectly fair; then you would be taking the risk of putting a Federal inspector in there who would have no responsibility to anybody whatsoever if he made a mistake?

Mr. KING. That is the way we feel; and the process of adjustment, instead of being accomplished in twenty-four hours, as it is with us, would probably take twenty-four days if it had to be accomplished through the Department at Washington.

Mr. RICHARDSON. The Federal Government does not intend to answer in damages for the mistakes that the inspector would make, any more than it would answer in damages for the mistakes that a judicial officer makes?

Mr. KING. That is probably so. If we are going to have inspection of grain, we have got to protect our inspections, and unless we do that there is no use in doing it. The farmer can not be benefited by these proposed measures; that is, I can not see that he can be, because the grain has left him before it gets into the elevator, and he has his price, and the price that he gets for it there is all that he wants. He wants to be sure that he is getting the fair market price for his grain, and the competition at the country point is his means of information, together with the public press, which publishes every day the prices that are obtainable in the different markets.

Mr. TOWNSEND. That is, you have been unable to see how the farmer would get a benefit unless through deception our foreign market is being affected?

Mr. KING. There is no deception. The foreigners, of course, would prefer to buy the grain guaranteed delivery at London and Liverpool if we were willing to sell to them at the same price, but we are not willing to do that, because the way corn is loaded into the ship there is always some danger of its not being so good when it arrives on the other side as when it leaves here.

Mr. TOWNSEND. It is shipped in bulk, is it?

Mr. KING. Very often it is put in the steamer near the boilers and other stuff is piled on top of it, so that you can not get at it to examine it, and I have known ships that I have been on in the port of Philadelphia where corn has gone on board in the summer time for shipment to foreign markets, and for some reason after the grain was loaded the steamer would stay at the port of Philadelphia for ten days or two weeks before starting on its journey, and other stuff would be put on top of the grain. That is not a fair test for the grain, and we would not expect anything else but what that grain might be out of condition when it reached the other side.

The CHAIRMAN. Are wheat and oats shipped in the same way?

Mr. KING. Yes, sir; they are all shipped in the same way, but the majority of it is shipped in bulk.

Mr. STEVENS. Do you get any grain with the Minnesota inspection?

Mr. KING. We sell some grain based on Duluth inspection.

Mr. STEVENS. You use Duluth inspection?

Mr. KING. Yes, sir.

Mr. STEVENS. That is reliable and accurate?

Mr. KING. Perfectly so.

Mr. MARSHALL. The quality is not so good as it formerly was, because the grain has deteriorated.

Mr. STEVENS. Does the inspection follow the quality of the grain?

Mr. MARSHALL. It follows the shipment of the grain.

Mr. STEVENS. That is to say, if the quality of the grain has deteriorated—

Mr. MARSHALL. I suppose they lower their standard a little.

Mr. STEVENS. So that when the quality of the grain changes the standard of inspection changes?

Mr. MARSHALL. Yes, sir; a little.

Mr. STEVENS. Necessarily?

Mr. MARSHALL. Yes, sir; there is a certain proportion of good grain and a certain proportion of bad grain.

Mr. KING. We have to test the grain every year, on every crop, and we send around all over the country for samples of grain, and we get the different varieties. For instance, if oats are a little more stained this year than they were last year, that is not any reason why the whole character of the oats crop should be injured this year.

Mr. STEVENS. The point I wanted to know about from you is whether there has been any deterioration in the character of the inspection?

Mr. KING. Not in the slightest.

Mr. STEVENS. Or whether their certificates are any less reliable than they used to be?

Mr. KING. They are more reliable, I think, if anything. As we have gotten experience and have been able to handle this business, we have profited by our experience, and if there has been any change any way it has been to make the grades more reliable rather than less so.

Mr. STEVENS. So that when standards are fixed at the beginning of the crop season you can depend on the certificates following the standards?

Mr. KING. Absolutely.

The CHAIRMAN. Will the standards be the same this year as last, or does the standard vary with the deterioration of the crop?

Mr. KING. It varies somewhat, based on the character of the grain.

The CHAIRMAN. So that you would have the same proportion of No. 1 and No. 2 or No. 3 in the season where the crops generally are inferior as you would have where they were excellent?

Mr. KING. That is the idea, exactly.

Mr. ESCH. Is there a like deterioration of the Odessa and Danube grains?

Mr. KING. I do not understand your question.

Mr. ESCH. Is there a like deterioration of the Odessa and Danube grains owing to long culture?

Mr. KING. Very likely. I do not know about that. I am not sufficiently posted on that to say.

Mr. MARSHALL. We hear complaints at times that there is deterioration.

Mr. ESCH. But Argentina has not been at it long enough?

Mr. MARSHALL. No, sir. It is the same with some of our grains. Oklahoma will give us red wheat running 62 and 63 pounds to the bushel, whereas around here it will run only 58 to 59 pounds.

Mr. RICHARDSON. Do you get these complaints from the producer or from the exporter, about the grading problem?

Mr. KING. I think it is about equally divided. Perhaps we would get more complaints from the producer through some dealer. But the producer does not enter into it at all. If he sells his wheat on sample, he does not care whether the quality of his wheat is No. 5 or what it is after it gets in; he has got his price.

Mr. RICHARDSON. He sells on sample?

Mr. KING. Yes, sir.

Mr. RICHARDSON. That is different from grading entirely?

Mr. KING. Yes.

Mr. RICHARDSON. It is just as you take a sample out of a bale of cotton, and it is designated as such and such cotton, and the buyer buys on that sample and takes the risk?

Mr. KING. Yes, sir.

Mr. STEVENS. Where grain is held on appeal from inspection, where is that grain detained or held for storage, or what is done with it?

Mr. KING. Of course it depends on where the grain is located. If it is in the elevator, it is held there subject to examination.

Mr. STEVENS. Is it ever held in the cars?

Mr. KING. In the cars frequently.

Mr. STEVENS. That is why I asked.

Mr. KING. Yes; we have compulsory inspection in Philadelphia. Every car of grain that comes into Philadelphia has to be inspected, and it is inspected in the car.

Mr. STEVENS. Part of it may be in cars and part of it in the elevator?

Mr. KING. Generally it is in the cars. It is inspected with triers that go to the bottom of the car, and then, when the grain goes to the elevator and is shipped out it is inspected again, to be sure. It is examined when it is loaded, to be sure that it is in proper condition.

Mr. STEVENS. Your inspection is speedy, and the whole process is finished within twenty-four hours?

Mr. KING. Yes, sir.

Mr. STEVENS. Is one of the reasons for which you have that celerity in order that you may get rid of the grain and keep it moving?

Mr. KING. Yes, sir.

Mr. STEVENS. Suppose that the inspection was not so speedy and the process was not so promptly completed, what would be the consequence?

Mr. KING. That grain would be very likely to deteriorate while in the car or stored in the elevator.

Mr. STEVENS. Would it be stored in elevators or in cars?

Mr. KING. It would block the elevators and block the terminal track, wherever it happened to be standing.

Mr. STEVENS. Would that affect the sale of grain to the consumer, either for exportation or for milling purposes?

Mr. KING. Yes.

Mr. STEVENS. And would that make any difference in the grain business?

Mr. KING. It would hamper the handling of it. The railroad companies, when they deliver grain in cars to us in Philadelphia, expect us to handle it promptly. We do not wait for any orders, but we inspect it and unload it and put it in the elevators.

Mr. STEVENS. So that if there was any stoppage of the inspection it would make a block of cars and in the grain elevators, and everything connected with the sale of the grain?

Mr. KING. Yes; and that would get right back to the man that sells it on the farm.

Mr. WANGER. Would that make any difference in the inspection?

Mr. KING. It would, in my judgment, make a difference in the inspection; yes, sir.

Mr. WANGER. How do you adjust the differences when an appeal is made, in the main in the cars?

Mr. KING. It is taken up by the grain committee, which has charge of the working of the inspection department, and that grain committee passes on the judgment of the inspector who has made the grade.

Mr. WANGER. Are many of those shippers reconciled, even before the committee gets the case, by the inspector and the party in interest meeting at the cars and conferring together?

Mr. KING. There is not very much of that in our market. The inspector is not supposed to have anything to do with anyone, either the buyer or the seller.

Mr. McKNIGHT. I might say, Mr. Chairman, that I have been chairman of the grain committee, and I have had to settle a great many disputes, and I have settled a great many without calling my grain committee together, by getting them to go together and examine the grain together. Very often I have settled disputes in that way. You were not aware of that, Mr. King?

Mr. KING. No, sir.

Mr. WANGER. You are chairman of the grain committee?

Mr. McKNIGHT. No, sir; I am president of the exchange now.

Mr. WANGER. You were chairman of the grain committee for how long?

Mr. McKNIGHT. I am president of the exchange now, but I was chairman of the grain committee for a number of years.

Mr. RICHARDSON. What method does the appellate board adopt when there is an appeal made and it is carried up to the appellate board? Do they have an exhibit of the wheat that that man has passed?

Mr. KING. Yes, sir.

Mr. RICHARDSON. They have got to have it in order to pass on it?

Mr. KING. Yes; and if the inspector is wrong, it is changed.

Mr. RYAN. A sample is taken of every car of grain?

Mr. KING. Yes; of every car.

The CHAIRMAN. Would all these different expenses that would result from this bill fall on the consumer or the producer?

Mr. KING. They would pass the producer and fall very largely on the consumer, because the producer is through with it as soon as he sells it and has got his money for it.

The CHAIRMAN. And the price he gets would not be affected by the possibility of these later expenses?

Mr. KING. No, sir; except as the movement of grain might be hampered and there would not be a market in his particular locality for any more grain. So far as the lot that has been shipped is concerned, he would be free of that.

The CHAIRMAN. I mean as to future shipments; who would be affected as a result of the increased expenses when the grain is in the hands of the middleman?

Mr. KING. It would be very largely on the consumer. Would you not say so, Mr. Marshall?

Mr. MARSHALL. Yes, sir.

Mr. RICHARDSON. You say the producer is out of the deal; he has got his money?

Mr. KING. Yes; he has got his money.

Mr. RICHARDSON. Then this bill does not help him?

Mr. KING. I do not see how it can help him.

Mr. RYAN. As a matter of fact, your exchange does not deal with the producer at all?

Mr. KING. No, sir.

Mr. RICHARDSON. Just the middlemen?

Mr. KING. Yes. We have very few farmers that ship to market direct. Nearly all is bought by some local elevator man, and he ships it.

The CHAIRMAN. Then what objection is there to this system of inspection on the ground of expense. If the fellow over on the other side has got to pay it all, why do you gentlemen object?

Mr. KING. How do you mean?

The CHAIRMAN. You have made that complaint here. One of your complaints against this bill is that it would retard business, and in that way make it more expensive.

Mr. KING. Yes, sir.

The CHAIRMAN. That is, the inspection would be expensive. Now you say that that being true, those expenses would be paid by the consumer on the other side in export shipments. Why do you object to it?

Mr. KING. It would upset our established system of inspection on which our business has been built up, and we feel that that would in consequence upset the handling of the grain business and be a detriment to us in that particular.

The CHAIRMAN. Some gentlemen told us here that the result of this system, if it should go into operation, would be that the producer would not get as high a price for his grain; that it would affect him disastrously.

Mr. KING. That the producer would not get as high a price?

The CHAIRMAN. Yes. That is not your judgment?

Mr. KING. Yes, sir; I do not see how it would affect the producer materially, because I think he sells it very largely on sample to the local elevator, and he does not pretend to wait for the grade at the terminal market. There may be some cases where he does, but in the majority of cases I do not think he does.

The CHAIRMAN. You think that increasing the expenses of the product on the way to the market does not affect the producer, but only the consumer?

Mr. KING. I think to a large extent that is correct. Of course there might be some factors that would alter that proposition.

Mr. RICHARDSON. Somebody stated this morning that the elevator charges were about 2 cents a bushel. That does not come out of the producer, if the producer sells by sample; it comes out of the man that puts it in the elevator?

Mr. KING. The elevator charges come off of the men that follow the grain always.

Mr. RICHARDSON. And not out of the producer?

Mr. KING. No, sir.

Mr. RYAN. Were you not mistaken, as a general proposition, when you said that increasing the cost of handling this grain would not affect the price to the farmer in the field? Were you not talking only of special cases?

Mr. KING. Special cases, I would mean. I would not make that to cover every case.

Mr. RYAN. As a general proposition, if the cost were increased, you primarily know of no reason or circumstance by which the middleman is going to lose? We have a right to start with the assumption that the additional cost, if any, is going to be borne by the producer or by some local man who buys, by the reduction of the price you pay to the farmer?

Mr. KING. Yes; it might be divided. It might fall on the purchaser in one case and get back to the farmer in another case.

Mr. RYAN. But if there was delay, the shipment was retarded, and all that sort of thing, that would affect the price?

Mr. KING. That would affect the price to the producer, and affect the market for the grain.

Mr. RICHARDSON. It would affect the price to the producer particularly in the succeeding crop?

Mr. KING. That was my statement I intended to make, that the succeeding marketing from the farmer would be affected.

Mr. RICHARDSON. Your exchange is bound not to lose?

Mr. KING. Yes, sir.

Mr. MANN. If you could be real certain about that you would not have half as much interest in this bill, would you?

Mr. KING. No, sir. I hope that I have made myself clear, Mr. Chairman, so far as the export market is concerned. We do not want to attempt to mislead in any way. We want to try to give you the benefit of any information we may have or anything that our experience may have given us.

Mr. ESCH. What are your views on the proposition of confining inspection purely to the export points?

Mr. KING. To the export markets, you mean?

Mr. ESCH. Yes.

Mr. KING. I do not think that that would work at all. I think it would break down, as I said before, the system that is already established and would upset the grain trade.

Mr. MANN. Are you familiar with the system of inspection installed by the laboratories of the Department of Agriculture in some of the western grain markets?

Mr. KING. No, sir; I am not very familiar with that. I know they have moisture-testing appliances that are used to ascertain the moisture of corn, for instance.

Mr. MANN. Do you apply any of those tests at Philadelphia?

Mr. KING. We do not apply the tests. We have one of the machines there for the purpose of guiding our inspector on cases where he might think there was a certain amount of moisture in corn—just merely for the purpose of determination.

STATEMENT OF MR. GEORGE W. EDDY, OF BOSTON, MASS.

Mr. EDDY. I just want to say a word about the export end of this question. We in this country do not fix the world's values of wheat and corn. Those are fixed by the competition of the world. For instance, last week the price of wheat in Liverpool was below the price of wheat in New York. We have sold the bulk of our wheat over there already. It is plain we have already sold out of this country all that we can sell. That is the opinion of some of the best experts we have. Consequently I do not see how we could claim that any charges that might accrue to grain would be assessed on the consumer or on the foreign buyer under conditions like those.

The CHAIRMAN. I was surprised to hear it myself.

Mr. EDDY. It seems to me those charges have unquestionably got to come out of the producer. There was a time, years ago, when we had a great deal to do with fixing the foreign values, and their market followed ours very closely. Oftentimes now our market advances 2 cents and there is a decline of 2 cents on the other side, so that the markets work independently.

Mr. STEVENS. What is the reason that our market has not the influence that it had formerly?

Mr. EDDY. Simply because more wheat is produced by other countries. Argentina is a large factor to-day. Twenty years ago it did not amount to anything, but they will probably export on this crop more wheat than we will; as much, and probably more.

On this question of grades, I fail to see how anyone can be infallible on grading grain that is liable to change in condition en route, whether he is a Government inspector or a private inspector, or whatever he is. Corn will change in condition in the cars on the way from the West, frequently. Our corn crop the last few years seems to contain more moisture than it did formerly. I can remember ten or fifteen years ago that we had very little trouble, except along in the spring, in the germinating season. We had very little trouble, except that on the start when the corn began to move we had to use a little care. That is a question that is hard to explain. I was in London, and the question came up—two or three men from Chicago were there, and several of the representatives of large firms were there, and several of the large London people—and there was a great difference of opinion as to the cause of that; but it is undoubtedly so. That has been the chief cause of complaint from the other side, on corn, and that has unquestionably changed. The corn contains more moisture, especially on this crop, than it formerly contained. I think myself that perhaps it is caused by the fact that we use up our corn crop so closely, and do not crib new corn and let it stand in the cribs a long time as we formerly did, before we start to use the new crop, using the old. Our surplus does not run over into the new crop as it used to.

The CHAIRMAN. Did you listen to the complaint made here this morning by the foreign dealers?

Mr. EDDY. Yes, sir. We used to export 155,000,000 to 200,000,000 bushels of corn. To-day we do not have that much, and our exports are very much less than half that amount. Last year we were away under 105,000,000, and this year, for the last six months, I think, our exports are only about 30,000,000 or 40,000,000. I do not know that they were as much as that. I have not the figures in mind, but I know it is very much smaller.

In regard to these letters we have from abroad, from Mr. Patterson—I know Mr. Patterson. The London Marine Trade Association want to buy corn from us as they buy from Argentina and from Russia, on what they call rye terms—that is, guaranteed to arrive cool and sweet on the other side. Our merchants refuse to sell on those terms, and wisely, too. It is not an uncommon thing for the shipper of corn from Russia and on the Danube to be obliged to fail on account of his corn arriving out of condition there. I know of cases last summer that were called to my attention on the other side. Corn is something that you can only insure the condition of by drying it—kiln-drying it—and we always offer to our friends on the other side kiln-dried corn at the difference in price, which more than half the time—two-thirds of the time at least—or three-fourths of the time, they are unwilling to pay.

The CHAIRMAN. What is that difference?

Mr. EDDY. It varies considerably. The thoroughly kiln-dried corn will cost, as a rule, I should say, at least 3 cents a bushel more—that is, the same corn. It costs from 3 cents up to dry it and put it in condition.

The CHAIRMAN. A No. 1 corn?

Mr. EDDY. We do not have that. We have No. 2.

The CHAIRMAN. No. 2?

Mr. EDDY. Yes.

The CHAIRMAN. Taking No. 2 corn in the month of February, what will it shrink in the process? Now much moisture will you take out of it?

Mr. EDDY. That varies. This present crop contains a large percentage of moisture, and corn will shrink, if it is thoroughly dried—bone dry, as they call it. I should say it would shrink an average on this crop of 8 to 10 per cent.

The CHAIRMAN. How much moisture would that kiln-dried corn have in it after the process was completed?

Mr. EDDY. It does not really need to be dried down to less than 15 per cent. If it is dried down to 15 per cent, it will carry in all cases. But some of the corn this year has contained as high as 25 per cent of moisture. It is frequently dried under 15 per cent. We have shipped corn from Boston that has been tested by these machines of the Agricultural Department which tested under 15 per cent.

Mr. MANN. There would not be any No. 2 corn with 25 per cent moisture?

Mr. EDDY. No; that would not grade No. 2. It has water in it that prevents grading, and you remove the water and the corn improves greatly. Now, the object of that movement abroad was to try to compel us to sell our grain guaranteed to arrive cool and sweet on the other side.

Mr. MANN. Have not most of the complaints that have been made on corn been made on the corn shipped from the southern ports that went through a humid and hot climate?

Mr. EDDY. They do not ship corn from the Gulf all the year around. That is shipped in the winter, and some of that is sold on rye terms. I think most of it is. I do not do business through the Gulf.

Mr. MANN. Have you had occasion to investigate that?

Mr. EDDY. But I know how business is done there to a certain extent. The ships take out insurance to cover rye terms, and they have to pay for that, of course, and that adds to the cost of the corn.

Mr. MANN. I am told that that is the principal cause of the complaint, and the Agricultural Department has been keeping account of some of these shipments in the last few years, and they have found that there is a very great increase in the moisture contents between Galveston and Liverpool, in many cases.

Mr. EDDY. The corn through the Gulf this year has been of good quality, and for the reason that the Missouri and Kansas corn contained less moisture this year than the corn from the more Northern States.

Mr. MANN. The claim is made that the corn often leaves Galveston in good order.

Mr. EDDY. That frequently happens, that the grain leaves in good order, and of course has got to leave in good order to be inspected at any port; but it is a long voyage through the Gulf, and it may be on the way three weeks; and if it goes aboard in bad weather, that makes a great difference. If it is put on board in rainy weather, it will absorb moisture while it is being put on board. Great care has to be taken; and, indeed, our inspector always refuses to load grain in that harbor in bad weather. All those things affect the condition of the grain.

As I say, it is largely a matter of the quality of our crops in this export business. The foreigner of course has the world to buy from, and makes comparison of crops, and crops vary in different parts of the world in different years. One year our corn crop may be of poorer quality than another year. It is of poor quality this year, and the crop may be of good quality in another country, and of course the foreigner will give the preference to that country. We can not change the quality of our corn by inspection; we can not change the quality of the grain. We have got to ship the grain as it grows, and it might be that 1 per cent of our corn, without being treated, would be of as high a grade as it would be another year when the standard of the crop was higher as a whole. So we have either got to ship what we have got or else go out of business.

Mr. MANN. Well, of course that is no reason why the people who buy it should not know the character and quality of the corn.

Mr. EDDY. No; I do not mean by that that we lower our standard to a point below what it should be, although it varies somewhat, necessarily, with the different years; but they are fully aware each year of the quality of our crops. They are just as well posted on that as we are, because many of the foreign houses have houses in this country, and they have representatives over here, and they are thoroughly posted as regards the quality of our crops, and our foreign correspondents are writing us to-day that they will not dare to buy any of this crop that is not kiln dried after this month, or some of

them say last month. They can have it that way if they pay for it. It is their own fault if they buy anything that is out of condition, because they know that in the germinating season the corn is likely to heat. For that reason the corn men in the West will not buy corn in the germinating season unless it is kiln dried; and the foreigner has that same trouble. I discussed that question with them fully when I was there, and I could not see that they had any argument about the matter at all. It is a purely business proposition. The Federal inspection would not change the quality one iota.

Mr. STEVENS. Did they complain to you that the standards fixed by your exchanges were not being maintained in the grain that was shipped? That is to say, have you sent out a No. 2 certificate when the grain that the certificate was supposed to represent was not proper to be received on a No. 2 certificate? Do they claim that?

Mr. EDDY. They claim they have cases here. Of course there are always cases. No one, as I say, can be infallible in the inspection of grain, and it will not carry through all conditions. But so far as we are concerned, we take particular precaution in that matter; that is, we buy all our grain in the West subject to approval of the private inspector, unless we buy it on the seaboard grade.

The CHAIRMAN. Where do you buy, generally?

Mr. EDDY. We buy all over, everywhere, from Winnipeg to Ohio.

The CHAIRMAN. Any west of Chicago?

Mr. EDDY. Oh, yes; we buy in Omaha sometimes.

The CHAIRMAN. How long is your corn in transit, usually, from Omaha to Boston?

Mr. EDDY. That varies mightily with the condition of the railroads. This year everything is coming through in reasonably prompt time. Last year it would be anywhere from three weeks to three months. This year it would come through from almost any point in three weeks. The outside, I think, is three weeks from any point we ship from in this country. In point of fact, we are getting our Winnipeg grain through, which comes from Port Arthur in three weeks.

Mr. TOWNSEND. You said when you were over there, there were a few cases of complaint of the difference between the certificates and the material. Did they complain about the eastern seaboard?

Mr. EDDY. All the corn goes out on the seaboard inspection; practically all. Is that what you mean?

Mr. TOWNSEND. I meant if the exporters from Philadelphia, for example, have complained about that shipment?

Mr. EDDY. I think I had one complaint on a shipment last year. There was some little trouble with it; nothing very serious.

Mr. STEVENS. Do you buy western wheat on Canadian or Minnesota inspection, or do you demand a sample?

Mr. EDDY. We buy both ways.

Mr. STEVENS. Do you receive the Canadian and Minnesota inspections as reliable?

Mr. EDDY. The Canadian and Minnesota?

Mr. STEVENS. Either, or both?

Mr. EDDY. Yes, sir.

Mr. STEVENS. Can you depend on them in your buying?

Mr. EDDY. As to the Minnesota inspection, the wheat there is generally sold on the same grade, and we do not regrade that wheat.

Mr. STEVENS. That is, it is sold that way?

Mr. EDDY. That particular wheat is sold that way.

Mr. STEVENS. And how does that satisfy the consumer? Is he satisfied with it, generally?

Mr. EDDY. That wheat has not given as much satisfaction as the Manitoba wheat, which is grown on new land.

Mr. STEVENS. That is, the quality of the wheat is not so good?

Mr. EDDY. Yes, sir; the quality of the wheat is not so good.

If the standard was a little higher, they would not have any Duluth No. 1; if they raised the standard, they would have no No. 1 grain.

Mr. STEVENS. Do they conform to the standard as they did conform?

Mr. EDDY. I think, as far as the inspection goes, the wheat runs very evenly. I have not heard any complaint on that score; but Duluth wheat, of course, is not as good as it was when the land had been cultivated less. At the present time, to illustrate that, we can obtain the same price on Manitoba 3, northern, abroad, as for Duluth 1, just about; and that Manitoba wheat is a fine quality of wheat, and the land is new.

Mr. MANN. Who controls the seaboard inspection?

Mr. EDDY. The different exchanges.

Mr. MANN. At Newport News and Norfolk?

Mr. EDDY. At Newport News and Norfolk? I think the Philadelphia people would know more about that. Those inspections there have been excluded in the London contract. In the printed form we have used there, those inspections have been excluded, because they found that they received more complaints from that inspection than any other.

Mr. MANN. Grain is shipped abroad from there, is it not?

Mr. EDDY. Some grain. Some grain goes out on western inspection from there.

Mr. MANN. But they do not take the local inspection?

Mr. EDDY. No. That is not deliverable on that contract. If we sell No. 2 corn to London and Liverpool we have the privilege of delivering No. 2 corn from any of the Atlantic ports except Norfolk and Newport News, which are at present excluded. We can deliver from Portland or Montreal; we can deliver for most of our buyers from Montreal, Boston, New York, Philadelphia, and Baltimore.

Mr. MANN. Now, is there any variation in the quality of the grain as graded at these different ports?

Mr. EDDY. There must be, as I say. I started off with that proposition, that no inspector is infallible, and no two inspectors, possibly, would make the same decision. Probably you would not find that they would make the same decision on the same carload of grain.

Mr. MANN. I suppose if you get down to the fine point, no two grains of corn are identical.

Mr. EDDY. It must be variable; but the quality of the inspection must be about the same.

Mr. MANN. I know it is supposed to be, but is it? That is what I want to know.

Mr. EDDY. I think there is not much variation. I think there is some little variation.

Mr. MANN. Is there complaint that there is any difference—any general complaint?

Mr. EDDY. I think the best answer to that question is that at the present time I know of no port that is excluded except those I mentioned, and those have been excluded for a year or two.

Mr. MANN. Is the difference sufficient to influence where shippers would send a poorer quality of grain to or through a port?

Mr. EDDY. In order to obtain a better inspection?

Mr. MANN. Yes.

Mr. EDDY. Not as far as I know.

Mr. MANN. Is it claimed that there is such a difference; I mean is it so claimed at all generally?

Mr. EDDY. I have not heard that. I was going to speak of one other thing. A great deal of our grain goes out through Montreal. We would not have any control over that if we had Federal inspection here. We ship in the summer time a very large amount of corn through Montreal, because that is an all-water route; it is cheaper, and that is cutting into us. We have sharp competition there now. If we made the rules here, not having any jurisdiction over Montreal, it might give them a decided advantage over us, more than we have now.

Mr. MANN. Where do they get the corn from that they ship from Montreal?

Mr. EDDY. They draw it from the same territory, and any port on the Lakes can ship through Montreal.

Mr. STEPHENS. Are there any through lines of steamers to Montreal?

Mr. EDDY. They run through boats. That makes a very much cheaper route.

I found from shippers last year when I was abroad that there were fully as many complaints on grain from other countries as from ours. It seems to me that is necessarily so, that there will always have to be some complaint on grain; that while the great bulk of our business is handled without any friction at all in this country, necessarily in exporting as many million bushels as we do there will be isolated cases where fault will be found.

Mr. MANN. What is the name of your firm?

Mr. EDDY. C. F. & G. W. Eddy.

Mr. MANN. How much grain do you send abroad?

Mr. EDDY. That varies a good deal. We used to send a considerable amount through Boston, before this interstate commerce law, when we did not have that differential to contend with; but the railroads made a rate then to compete with the southern ports. At the present time we have to live up strictly to the tariff, and it interferes with our business a good deal.

Mr. MANN. We still do not know whether you send abroad 100 bushels or 1,000,000 bushels. Your testimony is good according to whether you have occasion to know about it.

Mr. EDDY. We ship, according to the year and the season, anywhere from 3,000,000 to 10,000,000 bushels a year, according to the conditions that rule here.

Mr. MANN. I suppose you would modestly admit that your firm is one of the largest exporters in this country?

Mr. EDDY. I never claimed that. I think there are a good many larger than we are.

Mr. MANN. Your interest is in sending abroad as much as you can, if you can make a profit on it?

Mr. EDDY. We are interested in raising the standard to where they will want our grain and buy it.

My objection to this bill is that it seems to me it would hamper us; that if we were subject to an inspector there—that point appeals especially to me—if we were subject to the decision of one man there and had no appeal except to Washington here, that would be a very disastrous thing, and might cost us a large amount.

Mr. RICHARDSON. You do not think it is necessary?

Mr. EDDY. I do not think it is at all necessary. I think these different communities have built up their standards and their system of inspection, and it has been in force a great many years, and they have perfected it as far as it is possible to perfect it and any change would be a step backward.

Mr. TOWNSEND. Do I understand you to say that the cause of the difference between your exportations now and a few years ago is the rate bill?

Mr. EDDY. Through Boston, that is.

Mr. TOWNSEND. I am talking about your exports now as a whole.

Mr. EDDY. I was speaking of Boston when I said that.

The CHAIRMAN. What was that differential as against Baltimore and—

Mr. EDDY. Seven and a half a hundred. That has practically knocked out our corn business in Boston. We can not compete with that. We are largely dependent now on wheat, although we ship some corn. The amount is very much less, however.

Mr. MANN. Why do you charge that to the rate bill?

Mr. EDDY. Because when the railroads were at liberty to make a competing rate, they did so, and if the steamers were short of grain they would make a rate so as to get it.

Mr. MANN. It is still possible to make a competing rate to Boston.

Mr. EDDY. The competing railroads will immediately drop their rate to keep the difference.

Mr. STEPHENS. The thirty days' notice makes some difference, and the change of schedule.

Mr. EDDY. It might make some.

Mr. TOWNSEND. You ship from other ports?

Mr. EDDY. The only reason we have been able to keep going there is on account of the Canadian wheat we get there. In the summer time Montreal naturally draws that away from us, and unless there is more than enough to go through Montreal, we would not get any. We are a kind of an overflow port there.

Mr. TOWNSEND. That does not affect the shipment of wheat from the United States?

Mr. EDDY. This differential?

Mr. TOWNSEND. Yes; from the United States.

Mr. EDDY. I do not see why it should.

Mr. MANN. But it has tended to build up one city at the expense of another?

Mr. EDDY. It has tended to do that.

Mr. MANN. The very reverse of what it was intended to do?

Mr. EDDY. We had last year continental lines there. We have not any now, except one small line to Copenhagen. We have three lines

that come there and then go south and load, one to Hamburg and one to Antwerp.

The CHAIRMAN. You did not state that exactly accurately, did you—that it had built up one city at the expense of another?

Mr. EDDY. Why not, sir?

The CHAIRMAN. Should you not have stated that it took away an advantage that one city had by reason of certain agreements of differentials against another city?

Mr. EDDY. You mean that it took away what we would have otherwise—

The CHAIRMAN. Under this general arrangement of the differentials you had an advantage of $1\frac{1}{2}$ or 2 cents over Newport News and over Baltimore?

Mr. EDDY. No; Baltimore had the advantage over us.

The CHAIRMAN. No; not then. You had the same rate that they had, whereas they ought to have had, counting distance, a difference of $1\frac{1}{2}$ or 2 cents in their favor, but you got that through this arrangement.

Mr. EDDY. Newport News is a longer distance from Chicago than Boston is, and yet they have a differential of $1\frac{1}{2}$ cents.

Mr. ESCH. You mean in mileage?

Mr. EDDY. Yes, sir; in mileage.

Mr. ESCH. How do make that out?

Mr. EDDY. That will show on the map.

Mr. ESCH. It must be a map that is flexible under certain conditions, then.

Mr. EDDY. No, sir; that is an actual fact.

Mr. RICHARDSON. Is it not a fact that in the past few years the shipments of corn have increased from the West by way of New Orleans?

Mr. EDDY. Last year they fell off.

Mr. RICHARDSON. Take it in the last five or six years, has it not been increased?

Mr. EDDY. It has increased in that time, but last year there was a falling off down there; but they are making some gain down there now. Of course local conditions affect that a good deal. For instance, this year they have a good quality of corn in Kansas and Oklahoma and Missouri, and that is a better quality of corn there than Indiana and Illinois raised this year,

Mr. RICHARDSON. The exports through New Orleans and Galveston have increased wonderfully in the last few years.

Mr. EDDY. They have made a gain, but last year they fell off. But this year I think they will regain considerable of that.

I think I have covered everything I had to say.

The CHAIRMAN. If there is no other gentleman ready to proceed, we will take a recess until 10.30 o'clock to-morrow morning.

(At 4.30 o'clock p. m. the committee adjourned.)

COMMITTEE ON INTERSTATE AND
FOREIGN COMMERCE,
Wednesday, March 4, 1908.

**STATEMENT OF HON. ASLE J. GRONNA, A REPRESENTATIVE
FROM THE STATE OF NORTH DAKOTA—Continued.**

Mr. GRONNA. Mr. Chairman, with the permission of the committee I would like to read the report of the North Dakota Bankers' Association.

The CHAIRMAN. Is that the report that was referred to yesterday?

Mr. GRONNA. Yes, sir. And I would like to also say that my information is based upon this report.

I shall not read all of the report, but only a part of it; with the permission of the committee, will incorporate it all in the hearings.

The CHAIRMAN. Very well.

Mr. GRONNA [reads]:

REPORT OF INVESTIGATION BY NORTH DAKOTA BANKERS' ASSOCIATION MADE NOVEMBER
23, 1906.

To members North Dakota Bankers' Association:

Your committee appointed to investigate the subject of grain inspection and grading, as affecting the interests of North Dakota shippers, met, according to arrangement, at Superior, Wis., on the morning of September 27, and, after a preliminary discussion as to the scope of the investigation, proceeded to visit some of the terminal elevators in order to familiarize themselves with the methods of handling grain as it comes from the shipper. We found that grain is inspected, graded, and the dockage fixed by the State inspector under the rules of the Minnesota grain inspection board. The grain is then ordered into one of the terminal elevators, and after being unloaded is elevated to the top of the elevator, where it is weighed. During the process of elevating, all grain is subjected to a suction draft in order to keep the building free from dust (?). This is an injustice to the shipper as, in our judgment, all grain should be weighed immediately upon being unloaded, and nothing should be taken from it before it is weighed. The amount of light grain and dirt taken out under the present method simply depends upon the force of the suction draft.

We obtained a statement showing the grain of various grades shipped in and shipped out from one of the larger elevators during a period of three months, the dockage actually taken out, and the profit in mixing the grain so as to raise the low-grade grain to that of higher grades. In our judgment, a much smaller dockage is actually taken from the grain than that taken by the country elevator or fixed by the official inspectors. We find that all of the dockage or screenings taken from the grain has an actual value and believe the shipper should receive this value. This matter of dockage is one that could be so easily remedied and the shipper given the benefit of the screenings actually taken from his grain that the wonder is the present unjust custom of not only confiscating the screenings, but in addition compelling the shipper to pay the freight on them to the terminal point, has been allowed to prevail so long.

We find that eastern millers want the grain as it comes from the farmer, and it is an injustice to the shipper and to the miller to prevent this, as is now done. The shipper must accept the inspection, rules, and customs which have been forced upon him by the powerful combination of elevator and railway interests, and the miller must take the grain that is offered him by the "grain-trust," so called, and not in the condition as to mixing that he wants it.

In examining the report above referred to of grain received and grain shipped out of the terminal elevator we were able to get a report from, we found that during the three months covered the report showed the following grain received and shipped out:

	<i>Receipts.</i>	Bushels.
No. 1 Northern.....		99, 711. 40
No. 2 Northern.....		141, 455. 10
No. 3 Northern.....		272, 047. 20
No. 4.....		201, 267. 20
No grade.....		116, 021. 10
Rejected.....		59, 742. 30
		<hr/> 890, 245. 10

	<i>Shipped out.</i>	<i>Busbels.</i>
No. 1 Northern.....		196, 288. 30
No. 2 Northern.....		467, 764. 00
No. 3.....		213, 459. 30
No. 4.....		None
No grade.....		None
Rejected.....		None
		<hr/>
		877, 512. 00
On hand, estimated.....		12, 733. 10
		<hr/>
		890, 245. 10

The screenings actually taken out of the grain received averaged three-quarters of a pound to the bushel. From our knowledge of the dockage taken at country elevators and also of that fixed by official inspectors at terminal points during the period named, we believe this dockage of three-quarters of a pound actually taken from the wheat to have been very much less than that taken from the shipper or farmer.

Mr. STEVENS. In order to make that accurate, please have that statement inserted, showing the amount of the same grade of grain that was in before the three months and the same grade after the three months; otherwise your statement would not be accurate.

Mr. GRONNA. All I am going to read is the report of the committee. I said, before you came in, that my statement was based upon this report.

Mr. STEVENS. But that hardly makes any difference, as you will see. The report does not amount to anything unless you show the whole condition, the amount of grain in, before and after; adding those together you get the exact situation. That which you have there does not amount to anything, no matter what the report says.

Mr. GRONNA. I will show the figures as to what was received and shipped out; that is, the same grain.

Mr. STEVENS. Is that for the public or private elevator?

Mr. GRONNA. The terminal elevator at Duluth.

Mr. STEVENS. Not a public elevator?

Mr. GRONNA. Yes, sir.

The CHAIRMAN. What months were those, Mr. Gronna?

Mr. GRONNA. It does not give the months, but simply says for three months. It gives the period of time, but does not specify the particular months.

Mr. RICHARDSON. What year?

Mr. GRONNA. The year 1906.

Mr. BARTLETT. What becomes of the screenings. Some of the wheat contains barley and other grain, and I would like to know what becomes of the screenings, or whatever it is, that is separated from the wheat, and which you call dockage.

Mr. GRONNA. Unless the farmer requests that his grain be sent to the cleaning house, the screenings will be the profit of the buyer, and be used for such purposes as he sees fit.

Mr. BARTLETT. Is it worth anything in the market?

Mr. GRONNA. That kind of screenings makes good feed.

Mr. BARTLETT. Is there a market price for it?

Mr. GRONNA. Yes, sir.

Mr. RICHARDSON. The buyer gets the profit from that?

Mr. GRONNA. Yes, sir.

Mr. STEVENS. And I think the question was asked as to how much there was of it?

Mr. GRONNA. If you will permit me, I will read this:

The screenings actually taken out of the grain—

That means shipped out of the terminal elevators [reads]—

These screenings sold for about \$8 per ton. After this dockage of three-quarters of a pound per bushel was taken out the grain was shipped out as clean grain without any dockage. What an eloquent story is told by the above figures. The fact that nearly 100,000 bushels more of No. 1 Northern, the highest grade taken in, was shipped out than was received speaks so loud against the present system and rules of inspection that it is simply unnecessary to go on down the line and call your attention to the fact that nothing lower than No. 3 wheat was shipped out.

The profit in mixing the receipts of this elevator for the three months, as shown by their report, was \$83,720.69. In order to arrive at the probable profits of the terminal elevators there should be added to the above the amount realized from the screenings, the charges for handling the grain, and the proceeds of the sale of wheat and other grain taken from the screenings, for we found that all screenings are carefully cleaned over and all good grain taken out, and that the good grain taken from the screenings is shipped out as screenings in order to avoid inspection and appearing in the amount of grain shipped out of the elevator. We are of the opinion that grain hospitals, either independent or in connection with terminal elevators, should be established, where shippers could have "off grade" grain cleaned or scoured at a reasonable cost before it is offered for sale, the shipper to pay this expense and receive the benefit resulting from such treatment of his grain needing treatment in a hospital elevator. We also favor the amending of existing laws governing the handling of grain by terminal elevators so as to allow no more grain of a given grade to be shipped out than is taken in.

Your committee found much to criticize by visiting the freight yards, in the careless manner in which cars are handled by the railroad companies and the very poor class of grain doors used. The amount of grain lost by leakage from cars and by the careless shunting and switching of cars in the yards is very large.

All the foregoing are of course matters of minor importance as compared with the apparent combination of the railroad and elevator interests in forcing all grain received at terminal points to be inspected under Minnesota inspection rules. A competitive market was established under Wisconsin inspection at Superior. The Wisconsin law provides that the grain and warehouse commission shall consist of three members, one from Wisconsin, one from New York, and one from North Dakota. Under this law the shipper in this State has a representative on the board, and the influence of this representative can be of great benefit to our shippers if his duties are conscientiously performed.

This board appoints all inspectors and weighers and can see to it that inspection and weighing is honestly and properly done. Our shippers were undoubtedly greatly benefited during the time the Wisconsin inspection was in force, but by the apparent combined efforts of the interests above named this Wisconsin inspection is inoperative and all grain received at the head of the Lakes must be inspected by Minnesota inspectors under Minnesota rules.

The story of how the Wisconsin law was made absolutely inoperative is an interesting one. The Duluth Board of Trade made a rule that no member of the Duluth Board of Trade could hold membership in a similar organization within a hundred miles of Duluth. This was done to compel all grain men doing business at the head of the Lakes to confine their business to Duluth. Then all terminal elevators located in Superior suddenly were closed as public elevators and became private elevators operated by individuals holding leases. As private elevators they were able to discriminate in the business offered them, and this discrimination took the form of refusing to receive grain inspected under Wisconsin rules and by Wisconsin inspectors. It does not require anything further to show you how Wisconsin inspection was put "down and out," and why all of our grain must now be graded, inspected, and weighed under Minnesota inspection rules.

Your committee attempted to have a hearing with the Duluth Board of Trade and met with some of the officers and members of that board for this purpose.

Exceptions were taken by members of the Duluth Board of Trade to the fact that Senator Hudnall, of Superior, Wis., had been invited to be present at this meeting. Senator Hudnall had asked the privilege of speaking at our last association convention on the subject of the grading and inspection of grain, and during the course of his remarks had made statements to which the Duluth Board of Trade had strongly objected. The object of your committee in having him present at the conference with the board of trade was to get at the truth or falsity of the statements made, to which exceptions were taken by the Duluth Board of Trade.

Members of the board of trade absolutely refused to proceed with the conference while Senator Hudnall was present, notwithstanding the fact that your committee stated if the conference could not proceed while he was present his statements would have to be accepted as facts by the committee.

Objections were also made by members of the board of trade to the stenographer who was present at the request of your committee.

Your committee withdrew from the conference for the purpose of considering the objections raised by members of the board of trade. Being present at the invitation of the board and feeling that our request to have Senator Hudnall present long enough to go over the statements made by him at our convention, to which exceptions had been taken by the board, was not unreasonable, and also feeling that an effort was being made to throw such restrictions around the conference as would make it of no value whatever to the committee, it was finally decided that we would withdraw and not attempt to proceed further with the conference at that time. The committee thereupon retired from the conference.

Following this attempt at a conference with the Duluth Board of Trade your committee entered into correspondence with a large number of eastern millers. This correspondence was of considerable interest and disclosed the fact that the eastern millers can not obtain grain at Duluth except in the condition it is offered them as to mixing. They want a certain proportion of grain of good grades just as it comes from the shippers, but can obtain it only after it has been mixed and the higher grades reduced in quality.

Your committee also asked for an interview with the Great Northern Railway Company officials in order to request that the Great Northern elevator at Superior be reopened as a public elevator and that all opposition to Wisconsin inspection by the railway company be withdrawn. This interview was arranged, and on Tuesday morning, November 13, Senator Cashel, Senator Young, and Mr. Macfadden, of the committee, met with Louis W. Hill, first vice-president, B. Campbell, fourth vice-president, and Mr. Braaten, of the railway company, at the company's office in St. Paul. The railway company contended that it was absolutely impossible for a large elevator to operate under the Wisconsin inspection law owing to the fact that the law made it possible that any shipper or receiver of grain could demand of the elevator company a special bin, and that a small amount of grain stored in special bins would completely tie up the capacity of the elevator.

It was also pointed out that shippers could demand both Minnesota and Wisconsin inspection on the same grain, and that while either inspection would be satisfactory to the railway company, traffic was impeded and great annoyance caused where both inspections were demanded.

Other objections were raised to the Wisconsin inspection law and the statement made that the Great Northern Railway Company would open its elevator as a public elevator just as soon as these objectionable features could be eliminated from the law.

The proposition was also made by the railway company to lease any or all of their elevators at Superior to an organization of independent shippers, to be formed in North Dakota or to include shippers of North Dakota, Minnesota, and South Dakota, on a basis of 4 per cent interest on the investment in the elevator, the lease to be made for one year or longer with the privilege of being canceled by the lessee at any time by giving thirty days' notice to the lessor railway company.

This proposition to your committee seems to be the solution of many of the problems of correcting the evils and injustices now in existence in the handling of grain at the head of the Lakes, and your committee will now take up the matter of perfecting an organization to take one or more of the Great Northern terminal elevators with the independent shippers of the State. By an organization of this kind the shipper can retain complete control of his grain. He can obtain the value of all screenings taken from his grain. The eastern miller can obtain grain in just the condition he wants it and a competitive market at the head of the Lakes can be reestablished.

Your committee is of the opinion that the reforms outlined will be of material benefit to the grain growers of the State and will be a stepping-stone to a better system of inspection, viz:

1. Federal inspection, which would do away entirely with the many conflicting inspections established in the various States.

Respectfully submitted.

JOHN L. CASHEL,
GEORGE M. YOUNG,
F. W. CATHRO,
M. F. MURPHY,
W. C. MACFADDEN,
Committee.

I shall not read the rest of the report, but will simply ask permission to have it printed. I will say that the report is signed by John L. Cashel, George M. Young, F. W. Cathro, M. F. Murphy, and W. C. Macfadden.

Mr. BARTLETT. Do they sign that report as individuals?

Mr. GRONNA. Yes, sir.

Mr. RICHARDSON. Now, I do not understand exactly, and I want you to make it clear. You said yesterday in your first statement, if I understood you, that a bushel of wheat would sometimes have 30 per cent or 40 per cent of barley in it. What I want to know is whether the farmer puts that in there knowingly and willfully—with the knowledge that the grain is going to the purchaser in that way?

Mr. GRONNA. Of course that would be an extreme case. It very often happens that you sow flax on ground upon which barley was sowed the year before, and there will be in the crop what is called "volunteer" barley, so that if you gather the flax you will gather the barley also.

Mr. RICHARDSON. And the producer who grows the wheat with the barley scattered through it knows that it is in there when he sends it to the market?

Mr. GRONNA. Absolutely, yes.

Mr. RICHARDSON. Does he notify anyone that it is adulterated to that extent?

Mr. GRONNA. But that is not adulteration.

Mr. RICHARDSON. But that is not wheat, and he is selling wheat?

Mr. GRONNA. No, the farmer has no intention of adulterating it. Of course the farmer does not like to have it in there any more than the buyer does.

Mr. MANN. It is perfectly apparent on its face; that is, there is no resemblance between the flax and the barley.

Mr. GRONNA. Yes, that is so.

Mr. RICHARDSON. But the farmer knows that it is in there, and you say it is no effort on his part to deceive?

Mr. GRONNA. Not at all.

Mr. MANN. Do you indorse all of the statements in the report which you have read?

Mr. GRONNA. All that I can say in regard to that is that I know these men very well.

Mr. MANN. Do you think that an elevator should be forbidden by law to ship more No. 1 wheat out than the elevator receives in, or upon any other grade of wheat?

Mr. GRONNA. Yes; I do.

Mr. MANN. Do you think that the elevator man who receives No. 1 northern wheat, wheat that would grade as No. 1, and because there is barley in it or weed seed, or dirt, or chaff, that we should forbid him cleaning the wheat so that he can ship it out as clean wheat No. 1 northern.

Mr. GRONNA. The cleaning of the wheat does not include the grading of the wheat. The various foreign grains that are in the wheat are not paid for by the elevator man, as I said yesterday, and the grade of wheat is there at the time it first goes into the country elevator.

Mr. MANN. Supposing a miller wants to buy wheat, or a merchant in Liverpool wants to buy No. 1 northern wheat; do you think it

would be desirable to ship him wheat that had a large amount of dirt or weed seed or chaff in it?

Mr. GRONNA. I do not.

Mr. MANN. If he calls for grade No. 1 northern wheat, can you send him this wheat filled with dirt, chaff, and weed seed?

Mr. GRONNA. That is never done to my knowledge.

Mr. MANN. But it would be done if your proposition that it could not be cleaned went through?

Mr. GRONNA. Absolutely not. I did not intend to say that they should not be permitted to clean it.

Mr. MANN. But you say that it is No. 1 northern wheat with all of this trash in it. Would you permit the elevator man to ship this No. 1 wheat containing all this trash in it?

Mr. GRONNA. Not at all.

Mr. MANN. Would it be graded as No. 1 wheat?

Mr. GRONNA. He should grade it in every case. If it is No. 1 he should clean out all the dirt and the foul seed. If it is grown No. 1 it should be graded No. 1.

Mr. MANN. Supposing it goes to the elevator with 20 per cent—although that would be an extreme case—of extraneous matter in it that was not wheat, and the rest, when cleaned, would be good No. 1 northern wheat. What would you grade it?

Mr. GRONNA. We would grade it 80 per cent No. 1 northern, and the 20 per cent would be taken out.

Mr. MANN. But you can not grade it 80 per cent and 20 per cent; it is all in one bulk, a carload of wheat. You can not say that 80 per cent is one thing and 20 per cent is another, but you would have to grade the whole.

Mr. GRONNA. But that is all there is, 80 per cent of wheat.

Mr. MANN. But what would you grade a sack of wheat of that character?

Mr. GRONNA. A sack of wheat with 20 per cent foreign stuff and 80 per cent No. 1 wheat I would grade as 80 per cent wheat—say 100 pounds by weight.

Mr. MANN. Would you grade it eight-tenths No. 1 northern?

Mr. GRONNA. No; there would not be eight-tenths; the whole amount would be 80 pounds.

Mr. MANN. But you would grade it No. 1 northern as it stood. Suppose you are the grower, and you have nothing to do with the cleaning or handling of the wheat, and you grade it as it stands; what would you grade it?

Mr. GRONNA. No. 1 northern.

Mr. MANN. Regardless of the fact that it contained 20 per cent of dirt?

Mr. GRONNA. I do not know that I can make myself understood. The 20 per cent, let it be barley, oats, flax, or anything else—we get nothing for that 20 per cent.

Mr. HUBBARD. That is docked?

Mr. MANN. But that is where you send it to the primary elevator, where it is not graded at all, and that is the whole mistake that you are making; they guess at it.

Mr. GRONNA. No; they grade the wheat.

Mr. MANN. Oh, no.

Mr. GRONNA. Yes; they use their tester.

Mr. MANN. They guess at it; they estimate what it is. They may dock you on the price, but they do not grade—that is, they do not do what is called “grading” wheat in the market.

Mr. GRONNA. Do you mean in the country elevator?

Mr. MANN. Yes.

Mr. GRONNA. I am sorry to have to differ with the gentleman, but I must say that you are not familiar with the custom and system of buying wheat.

Mr. MANN. I am perfectly familiar with it; I have sold any quantity of the stuff.

Mr. GRONNA. That may be; but they grade it.

Mr. MANN. They estimate what they think it will grade in the market, but they do not establish a grade for it.

Mr. GRONNA. Let me say in connection with that that the country buyer, and especially the independent buyer, of which we have a large number in our State—if the country elevator man or the independent elevator man were satisfied that at the terminal elevator he would receive what we call fair grade, there is no question but that that elevator man would grade our grain higher than he does at the present time.

Mr. STEVENS. Now, right there. Does that report that you have there show, or do you personally know, the details of the system of Minnesota inspection?

Mr. GRONNA. All I personally know is that I have the reports here. I have the rules of the Minnesota inspection here.

Mr. STEVENS. Do you know the way in which the grain is actually handled?

Mr. GRONNA. I do not know the way it is handled.

Mr. STEVENS. That is what I thought.

Mr. GRONNA. I know how it should be handled, reading from the rules that I have here.

Mr. STEVENS. Do you know whether or not the public warehouses, such an elevator as you describe, have a right to mix grain under the Minnesota law?

Mr. GRONNA. I presume they have the right—I should say they do have the right.

Mr. STEVENS. They do not. Do you know whether or not the law is obeyed in that respect, as to the mixing of grain? Does that report state that they mix grain in public elevators?

Mr. GRONNA. I do not think it does.

Mr. STEVENS. Do you know whether they do mix it?

Mr. GRONNA. This report says that there is a great number of bushels shipped, more grain shipped out of a higher grade than is received.

Mr. STEVENS. But it does not give the facts as to the grade of the same grain in the elevator before and the grade of the grain remaining in the elevator after?

Mr. GRONNA. This refers to the actual grain received and shipped out. I want to qualify that as to whether they have a right to mix grains. They have a right to treat grain, to place grain in what they call grain hospitals. There is no law forbidding them to do that. If it is damp, they can dry it.

Mr. STEVENS. It is obliged to be done?

Mr. GRONNA. Certainly.

Mr. STEVENS. Have those gentlemen who made that report, or have you, ever taken an appeal to the Minnesota authorities to remedy any defects or injustices?

Mr. GRONNA. I can not speak for this committee, of course; I do not know what they have done. In regard to that I would not state anything excepting what I know to be absolute facts. As I said yesterday, it is with no malice toward the Duluth or Minneapolis terminal elevators that I make these statements.

Mr. STEVENS. Do you know of any of your committee, or anybody speaking with authority upon this matter, who have appealed to the Minnesota authorities with a view to remedying any injustice or evil?

Mr. GRONNA. We have sent delegates there, I know that. Our State legislature has passed resolutions and appointed committees to make investigation on account of the fact that the farmers were being abused as to the grades.

Mr. STEVENS. Did not the Minnesota legislature investigate the matter carefully and frame a very careful response?

Mr. GRONNA. Yes; I think I have part of that report right here.

Mr. STEVENS. Do you know, or does the report state, the average percentage of dockage of grain in the elevators in the last few years? You have been talking about 20 per cent, and all that sort of thing. How much dockage has there been on the average, by percentages?

Mr. GRONNA. The only statement I would care to make in regard to that would be based upon the report made by this committee.

Mr. STEVENS. What do they say?

Mr. GRONNA. That the average is three-quarters of a pound to the bushel.

Mr. STEVENS. That would be 12 ounces out of 60 pounds, or about $1\frac{3}{4}$ per cent.

Mr. GRONNA. Of course anyone that is familiar with the dockage on grain knows that we always dock grain more than that.

Mr. STEVENS. But that is your statement, is it not?

Mr. GRONNA. Yes; pretty nearly.

Mr. STEVENS. And three-quarters of a pound, or 12 ounces out of 60 pounds, or about $1\frac{3}{4}$ per cent, is the dockage?

Mr. GRONNA. I hope I may be understood correctly. I say that this is the amount of dockage that is allowed by the terminal elevators when shipped out. This committee believes that the dockage is very much larger than that; that is, it believes that the dockage made originally when the wheat is purchased from the farm is very much larger than that, and I will say that it is very much larger than that.

Mr. STEVENS. This Minnesota inspection can not control the purchases from the farmer; all they can control is the public elevators. Do you know how much the average dockage at the public elevators is?

Mr. GRONNA. There is no man anywhere who knows that, because wheat differs.

Mr. STEVENS. But the average is given in the public records?

Mr. GRONNA. You take 100 acres of wheat in a field sowed at the same time, and it may differ 2 to 3 pounds in the same field.

Mr. STEVENS. But you know that there is a record of the official dockage at the public elevators?

Mr. GRONNA. There may be some figures compiled, but I doubt very much if there is any record to show the actual dockage that has been made by the elevator buyers at the primary elevators.

Mr. STEVENS. You do not suppose that the owners of the wheat, whether commission men or farmers, do not see that the official figures are carefully kept; and if they are not carefully kept that criticism is made. They do not permit the law to be violated.

Mr. GRONNA. In my State I do not know whether the law requires it or not.

Mr. STEVENS. I am not speaking of your State. You are criticizing the public service and the terminal elevators at Duluth.

Mr. GRONNA. To a certain extent I am, based upon the report, as I said before.

Mr. STEVENS. Do you claim that the law is being violated in that those official acts are not done or omitted?

Mr. GRONNA. That would be a broad statement to make. If the gentleman will permit me, I will read part of the proceedings enacted by the legislature of his own State to show that they are not even satisfied in the State of Minnesota with the inspection [reads]:

On the first day of the meeting of the Minnesota legislature for 1899 a resolution was adopted appointing a special committee to investigate the alleged unfairness of the Minnesota grain inspection and grading system. The resolution was in substance as follows:

"Whereas it has been freely charged that the department of grain inspection has become corrupt; that the inspection has been in the interest of the buyer as against the shipper and producers; that grain has been inspected in as No. 2 or 3 and inspected out as No. 1; that the dockage has been unreasonable, unjust, and excessive; that the department has employed incompetent and corrupt men as inspectors; that the only qualification necessary to secure a place on the force was a political pull; that a large number of men have been employed that have performed no other services for the State save and except they have regularly drawn their salary; that the freight charges on farm produce have been extortionate, unequal, and unjust; that the distribution of cars for the shipment of grain has been unequally distributed and often withheld from independent shippers; that the public elevators, licensed by the State, have formed unjust and corrupt combinations to buy grain at from one to two grades below what it actually was and to take excessive dockage: Now, therefore, be it

Resolved, That a joint committee be appointed to thoroughly investigate all these charges and report by bill or otherwise at their earliest possible convenience.

"That the committee shall have full power, etc.; to send for persons and papers, etc."

The resolution was adopted.

Mr. STEVENS. Do you know what became of that?

Mr. GRONNA. Yes; I think that is a part of the report here [reads]:

On April 17, 1899, that committee from the Minnesota legislature reported as follows:

"We find from the evidence produced:

"1. That the grading of wheat has not been uniform; that prior to the month of October the new crop of wheat had not been graded solely on its merits, it being the policy of the inspection department to give lower grades than later.

"2. That the system of appeals from the inspector's decision is impracticable and of little benefit.

"3. That it appears that some of the inspectors have been incompetent or careless.

"4. That the weighing of grain at the terminals is carried on in a loose manner.

"5. That the farmers suffer a great loss by shipping uncleaned wheat and by loading wheat into dirty and unswept cars.

"From the investigation had before this committee it clearly appears to this committee that wheat inspections have not been uniform throughout the year; that the grading of wheat has been rigid during the first three or four weeks of each season and less rigid during the balance of the year, and we can not in too strong language condemn this practice, as it must necessarily result in great loss to the producer, from the fact that a large proportion of the crop has been marketed before the change takes place, and on all the wheat sold prior to that time the loss must necessarily fall on the producer.

"No good reasons have been produced by the department of inspection, in the testimony taken before your committee, to convince this committee that the system in

vogue in the department can result in anything but a dead loss to the producer and must necessarily be to the advantage of the buyer. To prove this we quote the following testimony.

"Testimony of Mr. Clausen, chief inspector.

"Q. Now, the chief complaint before the committee is that early in the season the inspection made by our inspectors is very severe against the producer, and that subsequently, about the middle of October and later, much more liberal grades were given to the producer.—A. I will concede that statement is true, but it is true of every crop of wheat we have ever handled since the department started in 1885. * * *

"Q. But that don't explain the original proposition which we started with, that it has always been that the grade was more severe early in the season and grew more liberal as the season advanced.—A. Now, we start out conservatively every year. We don't know what we have got to contend with until we get into it, so as to understand it. * * *

"Q. You don't give the farmer early in the season the benefit of the doubt?—A. We take the benefit of the doubt until we get started. We don't know what we are going to get into. If we should get the grain down below the standard, we could never get them back.

"Testimony of Mr. Tunnell, chief deputy at Minneapolis.

"Q. Do you mean to say that you do not inspect too closely?—A. No, sir; not if the wheat is of the same quality.

"Q. You have testified that earlier in the season you have to inspect closer?—A. Yes, at the very start."

The CHAIRMAN. I would suggest that you hand the document to the stenographer, and that the time of the committee be not taken up in reading the document, as we have a large number of people waiting to be heard, and this is the only day we can devote to it.

Mr. RICHARDSON. Did the Minnesota legislature pass a law in accordance with the report of that legislative committee which tried to regulate that matter?

Mr. GRONNA. This was the State legislature.

Mr. RICHARDSON. I understand that, but a committee had been appointed, as I understood you, under a resolution of the legislature. Under that committee report what did the legislature do regarding the passage of the law?

Mr. GRONNA. As I understand it, it is a State law.

Mr. STEVENS. I will say in answer to the question by Mr. Richardson that the legislature did remedy some of the defects pointed out.

Mr. GRONNA. Maybe they did.

Mr. RICHARDSON. Then if the legislature did remedy it, what is the use of the Government taking charge of it?

Mr. GRONNA. The western people feel that there is still room for more remedy.

Mr. RICHARDSON. That is, that the State has not done its full duty?

Mr. GRONNA. Yes.

The CHAIRMAN. What was the date of the resolution?

Mr. GRONNA. 1899. I shall not take up any more time of the committee—

The CHAIRMAN. Understand, Mr. Gronna, that I did not desire to abridge your statement, but simply spoke with reference to the reading of documents.

Mr. GRONNA. I understand. The chairman has been very courteous, and I want to thank the chairman and the committee for the courtesies extended to me. But this is of great importance to us in the West, and I would like to have permission to put a few figures in the record to show the amount of wheat that is being exported.

The CHAIRMAN. Very well.

(Following matter is inserted at the request of Mr. Gronna:)

In his annual report, transmitted November 15, 1892, Secretary of Agriculture Rusk calls attention to the matter and makes the following recommendation (p. 64):

"NATIONAL STANDARD OF GRAIN.

"Another matter which is the subject of legislation now pending is that of a national standard of grain. There is evidence in the correspondence of this Department of a steadily growing feeling in favor of the establishment of such a national standard, which will relieve the grower from the annoyance inseparable from the existence of several standards, varying in the different grain markets of the country. Unquestionably some system of national inspection and grading under the control of the Secretary of Agriculture should be established in the interest of the grain growers and would be, without doubt, in a very short time accepted and recognized in all the great market centers of the United States."

In support of Federal inspection he calls attention to the Federal inspection of meats, as follows:

"As a result of the meat inspection already executed under the direction of this Department we have raised the standard of taste in this matter among consumers themselves; witness the increased price willingly paid not only in our own markets but abroad for meat bearing our certificates of inspection. The second object to be thus accomplished is that it has already, in a very satisfactory degree, attained, but which must be sedulously maintained—the reputation of our meat products abroad."

In his message to the two Houses of Congress at the beginning of the first session of the Sixtieth Congress, the President of the United States says:

"The grain-producing industry of the country, one of the most important in the United States, deserves special consideration at the hands of the Congress. Our grain is sold almost exclusively by grades. To secure satisfactory results in our home markets and to facilitate our trade abroad, these grades should approximate the highest degree of uniformity and certainty. The present diverse methods of inspection and grading throughout the country under different laws and boards result in confusion and lack of uniformity, destroying that confidence which is necessary for healthful trade. Complaints against the present methods have continued for years and they are growing in volume and intensity, not only in this country but abroad. I therefore suggest to the Congress the advisability of a national system of inspection and grading of grain entering into interstate and foreign commerce as a remedy for the present evils."

In his annual report for 1907, the Secretary of Agriculture says:

["GRAIN STANDARDIZATION.

"Attention was called in my last report to the unsatisfactory methods of handling and grading grain now in vogue. The laboratories established at Baltimore and New Orleans have continued to receive the cordial cooperation of all interested in the handling of grain and have determined some of the more important factors entering into the question of standardizing present methods and grades.

"*Development of moisture-testing apparatus.*—The moisture-testing apparatus introduced last year by the Department has been used with great success in these laboratories. This apparatus has been adopted by many commercial organizations, and they report that it has been of the greatest value to them in determining the moisture content of grain. This apparatus enables us to determine the moisture quickly and accurately, making it entirely practicable for use under commercial conditions.

"*Establishment of new laboratories.*—Additional laboratories have been established at Duluth, Minneapolis, St. Louis, and New York. At Duluth and Minneapolis special attention is to be given to finding the best method of accurately determining and measuring dockage. Through the work of these laboratories and the general investigation of grain-trade conditions the Department is coming into possession of much valuable information which should enable it to be of great assistance in straightening out the unsatisfactory conditions now existing.

"*Need of uniformity in inspecting and grading grain.*—It becomes more and more evident as this work progresses that some uniform system of inspecting and grading grain is absolutely imperative. Our producers of grain suffer through the lack of uniformity in grading, and our markets abroad are injured by lack of confidence in the grades established. It is believed that the end to be attained is through national inspection of all grain entering into interstate and foreign commerce, and the attention of Congress is respectfully called to this important question."

In an opinion given April 20, 1906, on a motion for temporary injunction in the case of the Globe Elevator Company, complainant, *v.* Homer Andrew, M. F. Swanston, John D. Shanahan, Byron Kimball, Peter S. Christenson, Great Northern Railway Company, and North-Pacific Railway Company, defendants, Honorable Justice A. L. Sanborn of the circuit court of the United States for the western district of Wisconsin, says:

"The testimony further shows that according to the reports of the railroad and warehouse commission more grain was reported and certified as having been shipped out of Duluth and Superior than was received into these cities, after deducting from the grain received the grain that was milled or ground into flour and other food products, one witness placing the amount at 26,000,000 bushels for the ten years from 1893 to 1902, inclusive. The testimony shows that this was brought about partly by docking all grain that arrived in the city from one-half to 7 or 8 pounds per bushel, whereas there was no dockage on grain shipped out of the city. There was also an arbitrary dockage in weights of grain going into the elevators of one-half bushel per car. There was also an undergrading of grain as it arrived in the cities of Superior and Duluth, and an overgrading of the same grain when it was shipped out of these cities, the reports of the railroad and warehouse commission showing that a less number of bushels of the higher or best grades was received in than was shipped out, and a larger number of bushels of the lower or poorer grades was received in than was shipped out. The price of grain is fixed by grades. Consequently when grain is received into Superior at a low grade and shipped out at a high grade the seller of the grain arriving in Superior receives a less price than the purchaser pays for the same grain when it is shipped out, the profits of course belonging to the middleman—the elevator company."

In his remarks on this subject in the Senate of the United States on March 30, 1904, Senator McCumber said:

"In my own personal experience I have known a special bin in an elevator to be filled with wheat from a single field, wheat that I knew was absolutely uniform in character, quality, weight, and cleanliness. This grain was thoroughly mixed in that bin and loaded into two cars, and yet when it was inspected one car went No. 1 northern, with very little dockage, and the other car, of identically the same kind of grain, was graded No. 2 northern, with about three times the amount of dockage. Every bushel of this grain was No. 1 northern in quality. It had never had a drop of rain on it from the time it was harvested until it was graded, and therefore there could not have possibly been this difference.

"Colonel Benton, an extensive wheat grower, in an address made before the Tri-State Grain Growers' Association at Fargo, N. Dak., dealing with the subject of the present inspection, says:

"I have watched with some interest the grading of grain for the last twenty-six years in the State of North Dakota. The reason that I have watched this grading is because I have more or less grain to sell every year. The first few years that we grew grain in North Dakota we could get the grades that were offered, according to the rules that were to govern that grade. They finally established the rule that where grain weighed 58 pounds to the bushel and had 75 per cent of No. 1 hard wheat, that it was No. 1 hard wheat. Two years ago the inspectors from Minnesota sent word to the elevator at Wheatland, the place where I market my wheat, that they would give the No. 1 hard grade for no wheat. They told me that they could not give No. 1 for any wheat. I have seen wheat this year weigh 61 pounds, pure Scotch Fife wheat, graded as No. 2 and sold for the No. 2 price.

"I have seen but one car of wheat this year sold in Wheatland as No. 1 hard wheat, and it was from the same field and thrashed the same way that another car was that went No. 2. For the last ten years the grading of the wheat we have raised in North Dakota has been governed by Minnesota inspection. Last year an attempt was made to pass a grain-inspection law in Wisconsin. We got no relief from it. We have trusted to the Minnesota legislature for the last ten years. * * *

"If you go to the North Dakota legislature and pass any law that you want to, you can not enforce it, for when it comes to Duluth it is out of the jurisdiction of North Dakota and her laws. You can not establish State laws for the inspection of grain that will apply to all of the States. You can make a move like this (a national inspection law), which is in the right direction, and have a universal authority for the grading of grain, and then in Minneapolis they will only have to pay what the grain is worth. They need not be afraid of paying too much for the wheat so long as the Government says that the wheat is worth so much—and I want to say here that the raising of grain, and the growing of wheat that is No. 1 hard, and having to sell it for No. 2 or No. 3, and rejected, is getting played out. This is plain talk, but we are right at a crisis here."

"Prof. H. L. Bolley, of the North Dakota State Agricultural College, discussing the subject under consideration, says:

"As a teacher of agricultural botany, I am not often interested in legislative features, bills in Congress, etc., but in regard to this matter of grain inspection, every year since I have been in the Northwest it has been becoming clearer and clearer to me that the manner in which the cereal products of the farm are graded and handled on the market is on a most simple and childish basis for a Government which professes to have such an educated farming public and such an efficient Department of Agriculture to oversee matters. Our agricultural colleges and experiment stations are spending an immense amount of energy in instructing the farmer just how to raise the cleanest and most perfect type of each of the cereal grains, and they are meeting with success."

"In a letter from a member of the North Dakota State legislature, and one extensively engaged in farming and shipping of grain, he says:

"I want to congratulate you upon the bill you are working to get through with reference to securing a national system for the grading of wheat. I regard it as one of the most important measures that affect the agricultural interests in the Northwest. Under the present system the farmers are being robbed every year of at least one grade of their wheat, and in this way: In the fall of the year, when they have to market their grain, the inspection at Minneapolis and Duluth is very rigid, and for the last two years it has been almost impossible to secure a better grade than No. 2 or 3 northern, and usually at a pretty heavy dockage. Now, were it not for the fact that as soon as the grain is out of the farmers' hands this damnable inspection loosens upon the grades, and the elevator people who have graded the grain 2 or 3 northern are allowed to deliver this wheat for No. 1 northern on contract sales."

"In 1903 a committee of the North Dakota State legislature, in conjunction with a committee from the Wisconsin legislature, sought by their combined efforts to find some source of relief. They were forced to fall back on Federal inspection and grain grading. This committee made a thorough investigation of the subject of wheat inspection and grading, and officially found conditions about as mentioned. The report of Hon. George M. Young, a member of this committee, says:

"That such abuses exist is a matter of almost universal knowledge among our farmers, who have been systematically robbed; but in addition to the facts presented by our farmers and in corroboration thereof I call to your attention the official report of the chief inspector of grain of the State of Minnesota, showing the total receipts and shipments of grain for the year ending August 31, 1901, from which I quote:

"No. 1 hard—receipts, 341,567 bushels; shipments, 1,000,438 bushels."

"More than three times as much No. 1 hard was shipped out in those three years as was taken in.

"No. 1 northern—

"That is a very good grade of grain—

"receipts, 10,070,414 bushels; shipments, 16,900,917 bushels.

"No. 2 northern—receipts, 7,341,594; shipments, 3,978,311.

"No. 3 spring—receipts, 1,335,830; shipments, 444,041."

"It will be seen that of the higher grades the amount shipped out always exceeds by two or three times the amount taken in, while of the lower grades the amount taken in exceeds from two to three times the amount shipped out.

"No. 1 hard—receipts, 341,567; shipments, 1,000,438.

"No. 1 northern—receipts, 10,070,414; shipments, 16,900,917.

"No. 2 northern—receipts, 7,341,594; shipments, 3,978,311.

"No. 3 spring—receipts, 1,335,830; shipments, 444,041.

"Rejected—receipts, 256,063; shipments, 134,471.

"No grade—receipts 1,335,521; shipments, 344,823."

The Modern Miller, a weekly journal published at St. Louis, Mo., devoted to the milling and grain interests of the country, in its issue of November 16, 1907, prints the following editorial concerning Federal grain inspection:

"Some of the exchanges of the country, as well as the grain dealers' associations, are going to make a determined stand against such action (Federal grain inspection), and the Grain Dealers' National Association has made a strenuous effort for uniform grades and inspection rules, in order to anticipate the growing demand for Federal inspection. Many of the exchanges of the country indorsed the uniform grades adopted by the grain dealers, but after several years' work in that direction, we may say that no practical result has been attained, or, at best, no real commercial results of this work are in evidence in the principal grain markets.

"Several years ago the Modern Miller, noting conditions existing in the grain trade in Kansas City and St. Louis, showed up numerous practices which could not live and be tolerated by millers. The evidences of improper inspection and grading of

grain and of sharp practice in the shipping and handling of wheat were very clearly presented by us, and these practices stood as an indictment against both board of trade and State inspection. The uncompromising fight between boards of trade and State control and supervision has been going on for years, and is still going on in a number of markets. The boards of trade will not work in harmony with State officials wherever there is a possible chance of the board securing direct control of this work.

"While agitating this subject we sent our letters to the principal millers of the country to ascertain whether or not they favored national inspection. The replies showed a substantial majority of the active millers of the country replying to our inquiry favored national inspection. Nor did the millers mince words in discussing this subject, as the replies we hold in our possession show. The decided and emphatic expressions favoring national inspection from prominent millers were numerous. The summary of these replies were printed at that time, but the question is likely to come up again and urged for national legislation, and it is well for the millers to think about it.

"The exchanges of the country may properly blame themselves—no other agency—for the demand for Federal supervision. Had they vigorously punished members guilty of improper conduct they might have hoped for trade indorsement, but in many cases they voted to indorse their own acts and were short-sighted enough to imagine that indorsing their own acts meant 'trade indorsement.' In one grain case a board of trade member was suspended for thirty or sixty days, for substituting cars of doped wheat to be delivered under certificates given for strictly No. 2 red. In this flagrant offense the inspector who 'showed up' the offender was 'boycotted' and for the dealer, who had no tangible defense, a petition was circulated and widely signed by exchange members, asking that he be reinstated.

"It was such acts as these which created such prejudice in favor of national inspection. One of the leading millers of the country, opposed to national inspection and hoping for a return to strictly honorable trade practices, wrote to us:

"Self-protection will ultimately compel each and every prominent grain market to adopt and rigidly enforce equitable rules and regulations and to visit serious or deliberate infractions with the most severe penalties. They will discover that honesty is not merely the 'best' policy, but an absolutely essential policy.'

"Since the Modern Miller had its tilt with the 'trade usages' in some of the exchanges there has been a notable change in the grain-trade practices of the West. We have been given some tardy appreciation of this recently from sources slow to commend.

"It is now asserted in Washington that practically the entire grain trade is arrayed against national inspection. One of the largest grain handlers of the West, now retired, wrote the following reply to the Modern Miller inquiry above referred to:

"National inspection of grain is most certainly desirable, and I so recommended as chairman of the grain committee of the St. Louis Merchants' Exchange in October, 1903. This was considered by the entire grain committee at that time, in response to a communication from the Department of Commerce, referring to ports of clearance especially. My reasons favoring national inspection are, briefly, that uniformity of grades can not be obtained otherwise on account of conflicting rules of warehouse commissioners and State laws regarding same in different States. I believe millers in the United States and in the foreign trade have been imposed upon by inspection as now conducted, and more especially as regards elevator grain in our local markets, and also through elevators at ports of clearance, which seriously affects domestic and foreign business.'

"The grain trade will present an active opposition to Federal inspection, and such opposition is desirable, as only by such means could a bill be drawn and a law perfected to provide a well-considered method of grading and inspecting grain. The work of the Uniform Congress will help the Government in solving this problem, making use of the standards which the Uniform Congress has presented to the exchanges and secured their indorsement thereof.

"National grain inspection is getting closer, but must pass through the 'refining' process of strenuous opposition, as the rate bill did."

A summary of the replies to the letters sent out to the principal millers of the country referred to in the foregoing editorial was printed in the issue of the Modern Miller of September 29, 1906, as follows:

"FOR AND AGAINST NATIONAL GRAIN INSPECTION.

"In order to determine the views of the millers of the country on national grain inspection, the Modern Miller last week sent out several hundred circulars inviting prominent men in the trade to express their opinions on the subject. It seems certain that national grain inspection will be an issue the coming year, and there will be a determined effort to enact a law in which we feel the millers have an interest.

"Do the millers have confidence in board of trade or State grain inspection.. What are the points favoring national inspection, and for what reason is it opposed?"

"Sixty-one per cent of the millers replying to our request for an expression of opinion favor national grain inspection; 24 per cent are against national inspection, and 15 per cent are undecided or do not care to express an opinion. From only one State—Minnesota—were the majority of replies against national inspection. Minneapolis and Chicago undoubtedly have the best State inspection of any of the principal markets, and millers who are tributary to these markets and do not contend with some of the troublesome features of inspection which are notable in Kansas City and St. Louis are naturally more favorable to State inspection and not interested in a change to improve conditions.

"The millers of the Middle States are more nearly unanimous for national inspection. Board of trade inspection found practically no supporters, and only scattering replies showed confidence in the ability of the State to provide intelligent and honest inspection, with proper punishment for graft or inability to 'resist influences.' There were some notable exceptions, however, to this, and they are worth consideration. We find it impossible to give space to all the replies received. We have selected a number which set forth most clearly the reasons for and against national inspection.

"A Louisville, Ky., miller writes: 'National inspection of grain is decidedly desirable in our opinion. We do not believe it possible to secure uniformity in grades by State or board of trade inspection. Such a large percentage of grain that leaves the farm becomes interstate business that we think national laws covering the inspection and weighing of grain would be perfectly legal, and the uniformity thus secured is bound to be beneficial to all engaged in handling this commodity.'

"An Indianapolis miller: 'National grain inspection is very desirable, but only on condition that it will be under rigid civil-service regulations. General uniformity of grades would be very difficult to bring about by State or board of trade inspection. I favor national inspection, because, under proper civil-service regulations, it would be removed from local political influences; because inspection in one market would have to stand in another; because it would tend to do away with a great deal of elevator manipulation that is now current.'

"Another Indiana miller, who owns a large mill, writes: 'Yes; decidedly in favor of national grain inspection. State politics are too rotten and board of trade controlled by cliques in their own interest. There is absolutely no sound argument against it from the standpoint of the greatest good to the greatest number.'

"A Minnesota mill: 'We favor national inspection and believe it would prevent much of the mixing and bring the wheat to the mill as it comes from the farm. We do not believe that grades would be changed to suit local political conditions.'

"A St. Louis miller: 'We favor national inspection of grain to secure uniform classification and grading and unvarying inspection.'

"A St. Louis miller: 'We most emphatically favor national grain inspection. Having Government inspection would make the inspectors more careful and more respectful of the law, as they would be liable to imprisonment if they did not comply with the law.'

"An Illinois mill: 'We favor national inspection because any change from the present system will be an improvement.'

"A South Dakota mill: 'We think national grain inspection is desirable. National inspection would be unprejudiced and consequently fairer. Board of trade inspectors naturally favor board of trade members, from whom they get their job.'

"An Illinois mill: 'We favor national inspection because the Government controlling inspections and inspectors would not be subject to local influences to the extent that present inspections are, and the interests of all parties would be given greater consideration.'

"A Missouri miller, who for many years was the head of a prominent grain firm in St. Louis, makes a particularly interesting reply: 'National inspection is most certainly desirable. I so recommended as chairman of the St. Louis Merchants' Exchange grain committee when the matter of national inspection was considered by the committee, in response to a communication from the Chief of Bureau of Department of Commerce, O. P. Austin, which communication referred especially to ports of clearance. I do not think it is possible to secure general uniformity of grades by State or board of trade inspection. Uniform grades can not be obtained otherwise than by Federal inspection, on account of conflicting rules by warehouse commissioners and State laws regarding grades in different States. I believe millers in the United States and the foreign trade have been imposed upon by inspection as now conducted, and more especially as regards elevator grain in our local markets and also through elevators at ports of clearance, which seriously affects domestic and foreign business.'

"A Kansas miller: 'National grain inspection is desirable because it would give greater uniformity and stability of grades, because "in" and "out" grading would be the same, and because men of larger caliber would find their way into Government service than in State or exchange service.'

"A Kansas mill: 'We are in favor of national inspection, providing uniform grades can be established. Uniformity is not possible now, as each State or board of trade is interested in its own local advantages. Under national inspection millers would help to establish a more uniform value of the grain, and enable us to meet competition on a safer basis.'

"A Kansas miller: 'National inspection is desirable. We favor it to secure uniformity of grades for all sections and do away with graft and favoritism.'

"A Texas miller: 'National grain inspection is desirable at grain centers. We favor it because national action is usually honest and fair to all parties concerned.'

"Strange to say, a large number of millers favored national inspection because it would be free from political influences, while on the other hand, fully four-fifths of those who are against national inspection are opposed to it because they do not favor 'mixing politics with business.' The predominant note in the replies of those against national inspection is 'too much politics.' Thus some favor in order to get rid of politics and others are against it because they fear 'politics.'

"An Illinois miller says: 'The greatest advantage and reason for national inspection is the fact that it will be removed from political influence, which is about the hardest thing we have to contend against.'

"An Oklahoma miller: 'National inspection is desirable. It will give greater uniformity and cut out favoritism.'

"An Illinois mill: 'We favor national inspection because there would be less chance for favoritism and more uniform grading. Inspectors could be frequently transferred to facilitate uniformity and prevent fraudulent grading.'

"A Kansas miller: 'Federal inspection will be better enforced than under present conditions, and it will make a better market for wheat. Millers buying a certain grade under present lax methods of inspection can not be sure of getting the grade they contract for, but under Federal inspection millers could buy No. 2 hard or No. 1 northern and be absolutely certain they will get what they bargain for.'

"An Oklahoma mill: 'We favor national inspection because political influence would be eliminated.'

"A southwest Missouri miller: 'Judging from experience it looks like an impossibility to secure proper and uniform State or board of trade inspection. I favor national inspection because it would take the matter out of politics and away from the diverse interests connected with every board of trade and grain market. Government inspection in other lines seems to be effective and impartial.'

"A Nebraska mill: 'We favor national inspection to secure greater uniformity and greater care on the part of inspectors.'

"Those opposed to national inspection assign 'politics' and 'red tape' as the principal reasons for their convictions. In the South State rights seem to enter as a factor and a number of southern millers do not like too much national interference. Some of these, however, would waive these reasons as a 'last resort.' We regret that several prominent millers against national inspection so replied without giving their reasons. One well-known and highly esteemed miller of Indiana doubts the practicability of Federal inspection and is against it because 'graft is too likely.'

"An Ohio miller: 'I doubt if national grain inspection is desirable. It is possible to secure general uniformity in grades by State or board of trade inspection by the boards of trade cooperating to establish a uniform standard, and, above all, inspections strictly on the square. By national inspection we might be jumping out of the frying pan into the fire. There is too much politics in business done from Washington. Uncle Sam has plenty to do without mixing too much in business affairs. The boards of trade ought to have enough business sense to know it is to their interest to give everybody a square deal. If they do not, they are the losers.'

"A Toledo mill: 'State inspection being a failure in every State, we would not favor national inspection. Politics and grain inspection do not go together. General uniformity of grades is desirable, and should be obtained through board of trade inspection.'

"A Kentucky mill: 'National grain inspection is not desirable. It would get into politics and would be bad for the service. National matters are not run on economic lines.'

"A Tennessee mill: 'We are emphatically opposed to the Government taking any part in business matters or endeavoring to regulate commerce. At the same time, the present manner of inspection at all markets is so rotten and so variable that we are almost in favor of a change of any kind.'

"A Minnesota miller: 'I do not think national inspection of grain desirable. If we are not careful we will soon have everything done for us by the Government. Honestly and intelligently conducted board of trade inspection should be fair to all. Politics are a great drawback to State inspection now. Why should not the same objection be even more pronounced with national inspection.'

"A Minnesota mill: 'It is possible to secure practical uniformity of grades by State. The State inspection of Minnesota shows this. But the milling value of a certain sample of wheat depends somewhat on the opinion or taste of the individual miller. Its value can not be expressed in exact terms. Any system of inspection depends for its success on the intelligence and honesty of the inspectors. Rules may have to be modified without too much delay to meet unusual conditions arising at the opening of a new crop. Surely the States in which grain is of paramount importance are better able to cope with these difficulties than the nation at large.'

"A Dakota miller: 'I do not think national inspection desirable. Wheat should be sold on its merits in open market or by sample. Inspection is only a guide.'

"An Illinois mill: 'We do not think national grain inspection is desirable. We are afraid of politics (too much Bryanism).'

"Another Illinois mill: 'National inspection is not desirable. It may not be possible to secure general uniformity of grades by State inspection, but such evils as do arise, there is much more probability of righting in the State than at Washington. We are opposed to either State or national inspection, because it should be done by the parties interested.'

"A Kansas mill: 'We see no advantage in national inspection. Our opinion is based on the poor results obtained from State inspection.'

"A Kansas mill: 'National inspectors are too likely to be appointed for political reasons regardless of fitness.'

"An Oklahoma mill: 'We doubt the desirability of national grain inspection. It would require red tape and lawsuits to settle differences.'

"St. Louis miller: 'We are against national inspection because State inspection shows no improvement. The further we remove politics from business the better.'

"A Galveston mill: 'We do not think it would be prudent to invite Government interference in general business affairs. The people are satiated with Government interference in private affairs.'

"A Texas mill: 'We are against anything run by politicians.'

"An Oklahoma mill: 'Think inspections should be removed from politics. If we must have Government inspection, let it be done by the States.'

"Some of the replies were noncommittal. A Tennessee mill favors national inspection only as a last resort, and would favor national inspection only when shown practicable, believing, however, it would secure correct and honest inspection.

"An Indianapolis mill is for honest inspection. 'United States inspectors "might" be more independent of local influences and find honesty the best policy, but Government inspection would probably disregard the special needs of the various markets.'

"From the above, we feel that the trade can secure a good idea of the views of the millers in a general way. It was not the intention of the Modern Miller to have the millers go into details and explain fully the advantages and disadvantages, but rather to ascertain the principal and underlying reasons and to test what percentage of prominent mills were in favor or against national inspection. For this purpose it was not necessary to put the mills on record by printing names. The underlying reasons are set forth and the percentage of millers for and against is indicated.

"Mr. Schofield, from the Department of Agriculture, says: 'I have been for approximately two and a half years devoting most of my attention to the investigation of commercial grading of grain in the United States. I think I have visited every important grain market in the United States, some of them several times, have become acquainted with the men doing the work of inspection, and in most instances with the men who control the inspection in five of the States, the railroad warehouse or grain commission, as the case may be, which is composed either of elected or appointed men, and in other cases where the inspection is controlled by some committees of the chambers of commerce in the large trade centers. The most obvious remedy which occurred to me for the defect, which every honest man must know exists in the grain inspection of this country, was to effect, if possible, an arrangement whereby the inspection of grain might be carried on under national control either in the Department of Agriculture or through the Bureau of Commerce. I find, for instance, that there are eight distinct classes of wheat grown throughout the United States, three distinct classes of corn, two distinct classes of barley, only one of rye, one of buckwheat, and one of oats.

"Class 1 is what I have described as red spring wheat, which includes the well-known varieties of life and bluestem, which are grown in the region of eastern Wisconsin and northern Minnesota, North and South Dakota, and extending across the

boundary into Canada. In that we use the grades of No. 1 hard and No. 2 winter and No. 3 spring, rejected, and no grade. Then we have the grade known as hard winter wheat, which is composed almost exclusively of the variety known as turkey wheat; is grown in Kansas, southwestern Oklahoma, Iowa, southern Minnesota, southern Wisconsin, and to a limited extent in Illinois. It is composed of the grades known commercially as No. 1 hard winter, No. 2, and No. 3, and rejected. I think there is in most markets a No. 4 also. Then there is soft red winter wheat, which is grown in Missouri, certain portions of Kansas, eastern Oklahoma, northwestern Texas, and from there eastward. It is composed of such varieties as little May, Mediterranean, northern fife, and almost endless varieties of local names. That comprises the larger class of the winter wheats; it is called in commerce after the grade names of No. 1 red winter, usually prefixed by the term "soft." Then we have class 4 of a white winter wheat east of the Rockies, which is composed of Jones amber and Michigan white and a number of local names, which compose in volume not nearly so large a class of soft winter wheats, but are grown to as large an extent as the soft winter wheat, except that they are grown more to the northern and eastern portion of the northern wheat belt, and especially in northern Indiana, Maine, western Pennsylvania, and southwestern New York.

"Then there is class 5, a class of very relatively small importance; being the white spring wheats grown in the western portion of Nebraska, in California, and to some extent in Wyoming and Montana. They go in with the soft winter wheats, but are spring-sown wheats."

"Then we have class 6, one of a large group of wheats, all white. They are generally known west of the Rockies and in the Sacramento River Valley, also in the Columbia River Valley, as bluestem wheat. It is the highest grade of the white wheats of the Pacific coast region, selling there from 3 to 12 cents above the other wheats grown there, and is sold when nearly pure under the grade name of "high milling," and when mixed with club or other varieties which comprise the other classes it is known as No. 1 milling."

"Another class of importance is the one known as "club." It is grown in the San Joaquin Valley, east to some extent in the Sacramento Valley, throughout Oregon, Washington, Idaho, and certain areas as soft white wheat of poor quality, and is composed of varieties with variations of the name of "club," such as "July club," "Oregon club," and a number of local names.

"These comprise the seven important classes of what we know for convenience as grade wheats, and wheats which are used ultimately for bread, pastry, breakfast foods, and things like that. In addition to these seven classes there are, however, a number of smaller classes under local names which hardly deserve ranking as full classes, of which might be named such a variety of the group of long-berried, soft winter wheats, which are distinct from other winter-grown soft wheats, as they give very white flour. In the north we have such a wheat known as Senore, distinct from the other classes in shape of berry and quality, and not of large commercial importance.

"Not nearly so much grain is now being sold in Europe on Atlantic coast rates or grades as were sold a few years ago. The most successful exporters of grain now sell their grain upon previously submitted reports, and have much better satisfaction and more profitable sales. The tenor of the reports coming in seems to be that our business with foreign countries is injured by the selling of an inferior grade of wheat for No. 1; at least our American consuls think so. There is a wrong impression among the European countries regarding grain inspection as carried on in the United States. They realize that the meat inspection is controlled by the Government, and when buying grain they receive what looks to them an official certificate accompanying this grain. They seem to think this grain inspection is under Government control; at least they see no reason why they should get a large and impressive certificate from here if there was not some official back of it. So we have received many letters from there making charges against our Atlantic coast inspection, which has hurt our trade, and, if I am informed correctly, this matter has been several times brought before our Department of Commerce and Labor, and it seems to be the opinion there that it does not only affect our trade in grain but has a discouraging influence on all of our exports to some extent. The grain dealers themselves seem to appreciate the fact that we must have a more uniform system; they realize that they are being overrun by Argentine Republic and Russian grains, and they have been considering the possibility of remedying the existing systems for a long time, relatively speaking.

"As I stated a short time ago, I believe any system of national inspection will affect the grain dealer most, and will meet with their bitter opposition, but there is a thing to consider, I believe, and that is that you in this bill are attempting to devise what the great majority of farmers want and at the same time what the great majority of grain dealers want—not a majority in point of influence, but a majority in point of numbers. The grain dealers, in other words, are struggling as hard as they can to get

at the same thing which you are in this bill. There is a certain element of the grain trade which in point of numbers is insignificant, but which in point of influence is very important, who do not desire and will not permit, if they can help it, any system of either uniform or national control.

"Grain inspection to be materially improved must have a greater degree of accuracy than is now found anywhere, except in the flax inspection. If you know the method of grain inspection at the present time, you must know that these men who do the inspecting go on the track where these cars come in early in the morning, as soon as daylight. They go up to the car, pry the door open, then climb up, feel of the grain, if possible; if the car is not too full they probe it with the grain prier, look at it, and decide in their own minds whether it is No. 1 or No. 2, whether it is winter, and whether it has 2 pounds dockage or 3 pounds. They weigh it when they have a new man, or at the beginning of the season when they are having a little trouble with fresh wheat. They sometimes take the weighing bucket with them and weigh a small quantity of the wheat outside the car door, but this is done very occasionally, for when one inspector has to inspect 75 to 80 cars he has no time to stop and weigh. Furthermore, if he even did weigh this grain, if he submitted 3 handfuls, he would not come as near to it by weighing it as if he guessed at it, for it is an inaccurate weigher, and the weight depends entirely upon the way the grain falls into the bucket and the manner it settles. Very little of it is ever weighed. It is true of the great majority of the markets where this grain is inspected that, theoretically, they take the bucket with them, but practically they leave it in the supply house at the other end."

The North Dakota Retail Grocers' Association, in convention assembled at Grand Forks, N. Dak., February 18, 1904, adopted the following resolution:

"Resolved, That the North Dakota Retail Grocers and General Merchants' Association commend the McCumber grain-inspection bill, and, believing its passage would be for the best interests of the farmers of North Dakota and for the interests of the members of our association, we, therefore, recommend its passage and urge our Congressmen to use their best influences in securing the enactment of the bill."

Grain-trade complaints as reported by American consuls, and consequent loss to American producer.

Consul Thomas R. Wallace, in a report from Crefeld, says that the grain dealers in northern and western Europe have been holding meetings, the principal purpose of which seems to be to take united action with regard to a change in the rules and methods of transacting business with the United States in their line and to correct abuses now existing in the same. The consul continues:

"The grain trade from the United States with this district has been declining for some time, and if such dissatisfaction becomes general throughout Europe the losses to the people of America in this important branch of their export trade will be enormous. To gain some idea of the causes of the complaints regarding the grain exported from the United States I have made personal inquiry among the millers and dealers in these products, and am told that the conditions complained of here are the same all over Europe.

"The dealers say they have suffered excessive losses through the purchase of grain from America by its not grading up to the standard given in the inspector's certificate in kind, quality, or condition when received. Wheat, sold as good winter wheat and so certified to by the inspector, is very often found to be new wheat mixed with old and often wormy wheat. Grain often arrives in very bad condition. Wheat purchased as new is found weevilly—very good wheat with badly damaged grain mixed with it.

"They say, further, that the American shippers well know these facts, but of late years refuse to take these precautions, and because of the rule that the inspector's certificate is final the purchaser is compelled to suffer the loss arising from this negligence of the shipper. If the purchaser presents a claim for loss caused by grain received in bad condition, or of inferior quality from that certified to by the inspector, he receives no satisfaction from the shipper.

"UNITED STATES ALONE TO BLAME.

"I am informed that such conditions have become worse; that the purchaser here does not receive what he buys, and that no reliance can be placed on the inspector's certificate. The result is the miller has ceased to buy American grain for his mill and the farmer for his stock. It is further said that grain received from South America, Russia, or Roumania arrives in good condition, that received from the United States alone being bad.

"A general meeting of those engaged in the grain trade was held in 1905 by representatives from Holland and Germany. A meeting was held in London in November last,

in which appeared representatives from Germany, France, Holland, Belgium, Denmark, Italy, and England, Ireland, and Scotland, and still another meeting was held on December 12 at Berlin. At all of these assemblies the principal topic for discussion was methods to correct the alleged abuses in the grain trade with the United States.

"COERCIVE MEASURES THREATENED.

"The dealers having radical or extreme views do not believe that an amicable settlement of the matter can be made with the shippers unless coercive measures are used, and this is one of the reasons of the international character of these assemblies. It is said by them that some of the same conditions prevailed in the grain trade with Russia some time ago. The Russian dealers were invited to Berlin to a conference, but treated the action with indifference, whereupon the German dealers refused to buy any Russian grain, and in a short time Russia asked for a meeting.

"The seriousness of this movement, threatening the loss of trade in this important branch of American exports, should not be underestimated. It is general in its character and covers the countries buying about all of the surplus crops of the United States.

"The unanimity of sentiment expressed at these meetings indicates there must be good cause for complaint, and as representatives of nearly all the nations of Europe are taking part in these assemblies and the meetings have become international in character, it is time the American people, who are interested in this great and important branch of the nation's industries and commerce, should take some action to preserve it from further losses."

FRANCE.

FAULTY AMERICAN GRAIN-INSPECTION METHODS.

Consul-General Robert P. Skinner, of Marseilles, thinks it is highly desirable that certain facts in regard to American grain-selling methods be given immediate and wide circulation, and that something be done either by action of Congress or by the concerted action of American commercial bodies to reform or, rather, standardize the system under which the great cereal exporting business has been created. Mr. Skinner writes:

"There is little popular knowledge in the United States in regard to the fact that wheat, corn, grease, and similar products of American origin are not now sold abroad by sample, but by nominal grade. The European buyer knows nothing of the merchandise whatever before it reaches his possession. He imports and resells various classes of merchandise the quality or grade of which is certified to him, not by the merchant who has sold him the article, but by the official inspector of a board of trade or other equivalent body at the port of shipment. He pays for the goods before he receives them, and when the exporter in the United States delivers to him a certificate of inspection, declaring the goods to be of a given grade, he has no alternative but to honor the drafts. The bargain is absolutely final upon the production to him of this certificate of inspection.

"STRENUOUS OBJECTIONS.

"Of late years the murmurs against this system have been increasing in Europe, and whereas a short time ago they took the form of isolated private complaints that goods did not always conform to the certified grade, they now take the form of organized protests. I have before me not merely private correspondence running through a number of years, but the recent proceedings of the London Corn Trade Association and the proceedings of a delegate conference held on December 12 at the Berlin bourse, the general tenor of which is that foreign importers are vexed with prevailing conditions in the United States and are determined to force an improvement. At these two conferences a great many harsh things were said in regard to American certificates, and specific instances of irregularities were mentioned. The vital point, which it will be well to separate from so much context, is this:

"Mr. Friedberg (Hamburg) stated: It is perfectly clear that if an American inspector certifies we have no right to doubt, or if we do we are asked 'Why do you go on buying?' I may assure this meeting that a good many of us are not going on buying. We have none of this trouble in South America. For the general trade I think that there are respectable people enough in America, and I am wondering why they do not stop the glaring abuses that are complained of."

"This instability is naturally one of the conditions of American business that is least acceptable to foreign importers, and, what with rivalry between ports for export business, it has created not only bitter feeling abroad, but definite differences in the

prices at which grain of the same nominal grade is offered for sale at the different ports of shipment. There are 'easy ports' and 'good ports,' and sometimes the 'easy ports' are penalized as thus explained in a recent letter from an importer to an officer of an American commercial organization:

"As you know, at present importers have great difficulty selling on certificates, but where quality is reasonably assured they are willing to pay a premium over lower inspections. Newport News and Norfolk were excluded on the London and Liverpool contracts because of last year's (1905) No. 2 corn shipments, while, as you know, your inspection maintained a premium all last season over the Atlantic."

"SIMPLE REMEDY PROPOSED."

"The remedy sought is so easy of application and the demand for its application is so entirely reasonable that to the importer protracted resistance is incomprehensible. The proper remedy may be applied either by the American Government or by the cooperation of American trade bodies. The starting point of the reform would be naturally the establishment of standard descriptions by law. This done, if the Government were charged with the issuance of inspection certificates, the service would be removed from local influences, and the so-called official American certificates would be rehabilitated. If this very rational proposition be objected to, the surest means of effectively combating it would be the holding of a conference of American grain-inspecting bodies for the adoption of grain standards and for the adoption of ways and means of drawing standard samples, to be deposited in American consulates at great European ports, or to be issued upon demand to importers; and to provide for a board of inspectors, the members thereof to be transferred at intervals and liberated from every form of local pressure."

Consul-General Skinner, of Marseille, France, under date of January 10, 1907, writes as follows:

"In continuation of my report, dated December 18, 1906, I wish to say that my attention had been called to a report presented to the Syndical Chamber of Grain and Flour, at Paris, by George Lefebvre, delegate to the International Reunion, organized by the London Corn Trade Association. This report has been sent to me by a prominent Marseille miller, and I take it that it resumes the sentiments of the trade in this city, which has not acted upon the subject as yet in an official manner, although at this port the great bulk of American hard-wheat exportations are received. The report of M. Lefebvre is quite long, and I translate merely the salient passages as follows:

"I have the honor to render an account of my mission as your representative at the conference of November 8, organized by the London Corn Trade Association, for the purpose of considering final certificates covering grain exportations from America. The conference was attended by not less than forty-five members, whose opinions were unanimous as to the necessity of reforming the actual system. Some wished to ameliorate it, and others to abolish it. Complaints were made of a detailed nature, which I have no need here to repeat, except as to two cases, which deserve to be set forth.

"Complaints were made in regard to the delivery of hard winter wheat No. 2, in which not only the old and the new crop were mixed, but in which there was to be found also a considerable quantity of seriously damaged wheat. From the American inspectors who delivered the certificates, the only answer received was this: 'We consider our principal duty is to secure the consumption of our crop.'"

"Corn certified as No. 2 or 'sail grade' (the quality capable of supporting a voyage in sailing ships) and which should have been able to endure a long voyage, arrived in a completely bad condition after a rather short journey. The complaint made was met by the reply that: 'It is the fault of the buyers who purchase during the months when corn germinates.'"

"Mr. Montgomery, of Liverpool, speaking first, declared that the inspection service was badly established in the United States; that the European buyer renouncing any right of appeal as to quality when an inspector has delivered a certificate, thus constitutes the inspector an arbiter between the seller in America and the receiver in Europe.

"The abuses concerning which complaints arise from all parts of Europe prove that the buyers must come to an understanding, in order to determine the methods by which this business should be handled between America and the Old World. This conference is probably the first effort along these lines between the interested countries.

"First of all, what is it that is called an 'official' certificate of inspection as to quality? This is a very broad definition. There is not in the trade any definition of the word 'official,' and in consequence every certificate of an inspector who holds an official position must be accepted by the buyer."

A few expressions of individuals concerning the proposed legislation for national inspection of grain.

Hon. E. Y. Sarles, governor of North Dakota, in letter of date December 21, 1903, says:

"I received yours inclosing copy of S. 199, and most heartily indorse the provisions contained therein. That a bill to provide for fixing uniform standard of classification and grading of wheat is urgently needed is a fact that the producers of the Northwest especially feel is most essential. I could put you in possession of facts that would show the present system, especially that under the Minnesota inspection, as being extremely faulty, iniquitous, and detrimental to the producer as well as to the foreign and eastern buyers. Evidence supporting my statement can be had from most any of the grain commission men of Minneapolis and Duluth, and not a few of the elevator general managers (those not directly interested). The minority report of George M. Young, of Valley City, made to our last legislature, shows conclusively many deficiencies in the Minnesota inspection.

"I have no suggestions to make as to any amendments in your bill, and hope Congress will favor its passage. I think most any one of the commission men, as I have said, in Minneapolis and Duluth would support your bill, and so would any fair-minded person who is not directly interested in the results of the present system of grain inspection. I personally know the names of general managers of line elevator companies who have claimed to me that the present system is vicious, but do not know if they would dare to permit their names being used, as they might lose their positions by doing so."

Mr. I. H. Harris, grain dealer of Bathgate, N. Dak., under date of April 18, 1904, says:

"I have taken a great deal of interest in your noble fight with what might be called the great wheat trust. * * * Your national will be a great benefit. * * * I have been buying and shipping wheat for sixteen years, and know that the Minnesota inspection is rank. They are holding us up here in North Dakota for a million dollars each year. I can give a good many instances of their robbery to substantiate what I say. * * * I have talked with a great many private buyers and shippers of grain from North Dakota, and with any amount of wheat raisers and farmers, and I have never yet found one that was satisfied with the present inspection."

Mr. B. R. Beall, of the National Grain and Elevator Company, of Kansas City, Mo., writes under date of January 28, 1907:

"I believe I speak the sentiment of the grain growers of this territory when I say it will be a godsend to them if your bill for national inspection of grain is passed."

On January 20, 1906, Mr. J. D. Shanahan, chief inspector of the Chamber of Commerce of Buffalo, N. Y., writes:

"I have for some years been an advocate of Government standards for grain."

Mr. John O. Foering, president of the Chief Grain Inspectors' National Association, under date of January 20, 1906, writes:

"I note fully your views regarding the great necessity for greater uniformity in the proper classification of grain, and have personally labored for several years to accomplish something toward that end."

Mr. George F. Reed, exporter of grain of Boston, Mass., writes under date April 21, 1904:

"I have read your speech with great interest, and assure you again of my sympathy and interest in your efforts."

Mr. J. M. McCardle, grain dealer of Indianapolis, Ind., writes:

"I have some information that is very important on this subject, not only important but startling, and it only proves one thing, and that is, that the inspection of grain should be by the Government."

Statement made by Senator McCumber before the Committee on Agriculture and Forestry January 25, 1906.

GOVERNMENT GRAIN INSPECTION AND GRADING.

INJUSTICE OF PRESENT SYSTEM.

1. Grades and inspections are made by inspectors who owe their positions to the influence of the large elevator companies and their allegiance to the parties responsible for their appointments.

2. The chief inspector appoints all deputy inspectors. If an appeal is taken from the act of the deputy for improper grading or for any other cause, such appeal is decided by the chief inspector. The chief inspector, who is responsible for the efficiency of his deputy, can not very often overrule him without subjecting himself to criticism for his deputies.

3. The great terminal elevator companies have lines of elevators along every railroad through the States. They arbitrarily instruct their buyers to what grade the grain is entitled to. They, of course, protect themselves against possibility of loss.

4. Every year when the crop begins to move the graders at the terminals have adopted a rule that all questions of doubt shall be resolved against the producers. The result of that is that about two-thirds of the crop of the farmer has been purchased at a grade lower than that to which it is entitled. As the season advances the grade is raised. This, of course, raises all of the grades in store and held by the elevators and which were purchased at a lower grade. All questions of doubt in grading are resolved against the producer.

5. The report of the State grain and warehouse commission of Minnesota, for instance, every year shows that the number of bushels of the higher grades taken in is only a small percentage of the higher grades shipped out from the terminal elevators, and that the lower grades received are many times over the lower grades shipped out, thus defrauding the producers of many millions of dollars every year.

6. In addition to this, we have our mixing elevators at the terminals. They will mix 1,000,000 bushels of No. 1 northern with 3,000,000 or 4,000,000 bushels of No. 2 or No. 3 northern and have the same reinspected and graded all as No. 1 northern. This grain is shipped then, say, to Liverpool. The foreign purchaser receives the bill of lading, accompanied by the certificate of the grain inspector, showing the grain to be No. 1 northern. He gives it a chemical analysis, compares it with Canadian No. 1 northern, and finds that the American No. 1 northern is far below the same grade of Canadian wheat. This discredits all of our honest grades of wheat in the foreign market, and the only person who reaps a benefit is the mixer.

7. The producer of grain, the farmer, has no voice whatever in determining, directly or indirectly, the personnel of the force which passes upon the grade and quality of every bushel of grain he sells, while the purchaser of the grain controls absolutely the personnel of graders and inspectors. This injustice must be apparent. They have no means of securing any redress in case of combination, corruption, or inefficiency of the inspectors and graders.

8. It often happens, as I am creditably informed, that for the purpose of breaking corners in the gambling deals of the wheat pit millions of bushels of grain are given false certificates to meet a shortage. In the end the producer pays for the losses resulting from false inspection or certification losses. At present every grain market has its own system of grading and inspection and no two systems are exactly the same. The result is that the same kind and quality of grain, shipped from the same field, entering markets of different States, is graded differently and named differently, creating confusion and general loss to the producer.

9. Under the present system of inspection all carloads of grain arriving at the terminals are docked a certain number of pounds per bushel to cover dirt, undeveloped kernels, or any foreign matter in the grain. As all this can be removed, and is removed in the elevators, it should not affect the grading. It is, however, often excessive, and while the farmer pays the freight on it and gets nothing for it the purchaser sells it often for a very good price.

HOW NATIONAL INSPECTION AND GRADING WILL REMEDY PRESENT INJUSTICE.

1. Under national inspection all inspectors will be free from political influence. They will owe no allegiance to buyer or shipper. Their decision will be free from bias. Their grading will be under rules and regulations adopted by the Agricultural Department. They will have as a guide all of the experimentation and accumulated knowledge of the Department, acquired by years of study and investigation and laboratory work on grains.

2. Proper provision will be made for reinspection in case of complaint, in place of the present system of appealing from the deputy to the principal, whose interest demands that he shall sustain his deputy, generally.

3. Owners of elevator lines could not instruct their buyers under a national system not to give above a certain grade. The difference would be immediately apparent as soon as the same grain was inspected at the terminals. And they could not long do business under such instruction when it became publicly known that the local grades were below the terminal grades.

4. There would be no inducement by the national inspectors to resolve every doubt in favor of the purchaser and against the producer whereby such purchaser, as is now the case, would secure one-half to two-thirds of the crop at a grade lower than that to which it was entitled.

5. Under national inspection it would be impossible to ship out three times as many bushels of the higher grades as are taken in the terminal elevators. Under the present system the buyer, by controlling the personnel of the board of inspectors, practically

determines what grade he will buy in at and what grade he will sell out at. The Department inspectors would apply the same test on grain received as shipped out.

6. If the shipper mixed his grades such mixture would have to be again inspected and graded by the Department, and such grain could not be sold in the market under a false certificate. This would give confidence in our American standards and facilitate our export business in wheat, corn, and flax the same way that our meat inspection has facilitated commerce in meat.

7. The producer of North Dakota or South Dakota, for instance, has not the slightest voice in determining the personnel of the political inspectors of his grain in Minneapolis, Duluth, Superior, or Chicago, where he must sell it, nor can his voice be heard as to the proper system of inspection or grading. Under national inspection he can be heard. Through his representation he is brought in touch with the Department, which must listen to his complaint or suggestions, and if well founded will seek to apply a proper remedy. In addition to this an inspector, if found incompetent, may be discharged or removed to another section of the country, where he might be competent.

8. Under national inspection it would be almost impossible to secure false certificates as to grades to assist in gambling deals on the board of trade.

9. Dockage should have nothing to do with grades. A sufficient amount is deducted by the buyer to cover not only the amount of poor wheat and any dirt or foul stuff, but also to cover expense of cleaning. While this dockage is a total loss to the producer and worse than a loss, because he is compelled to pay freight on it, it is a gain to the purchaser, for while the purchaser pays nothing for it he sells it to be ground into cattle feed or grinds it himself and sells it to good advantage.

FEASIBILITY OF NATIONAL INSPECTION.

1. The change from State and board of trade inspection now in vogue to national inspection and grading would be most simple. The Department could overnight take the present force of inspectors and make them national inspectors. It could then work off the incompetent as occasion required. These inspectors would be new men only in being free from political influence or personal fealty.

2. Inasmuch as national inspection and grading would cover only grains raised in one State and shipped into another, or grains shipped from one State to a foreign market and would not include grains raised in a State to be used wholly therein, the present number of inspectors could be greatly reduced.

3. There would be no difficulty in fixing grades. The Department would naturally accept all present commercial grades and would, of course, modify them only as experience demanded. The modification, therefore, would be made without the slightest injury to commercial contracts or interest.

4. The bill makes provision for sales by samples and without the use of grades where such may be the custom or where any purchaser desires to so purchase. But of course all exports should be graded.

5. The present charges for grading and inspection range from 50 cents to 75 cents per car. At 50 cents per car there would be raised far more than sufficient to cover the expense of Government inspection and grading. My own belief is that it could be reduced to about 25 or 35 cents per car.

6. There are about eight species of wheat raised in the United States, each with its own name and each graded by numbers. The bill provides that such grades and species should be recognized in the beginning and should be modified only as experience should demand.

STATEMENT OF HON. PORTER J. McCUMBER, A SENATOR FROM THE STATE OF NORTH DAKOTA.

Mr. McCUMBER. I do not know, gentlemen, what testimony has been taken nor the line of that testimony, but would be glad if the chairman or any of the gentlemen who are members of the committee might ask such questions as will elucidate the matter and bring out such facts as the committee may desire. I have already made a statement before the committee of the other House and most of it has been printed. Of course, I do not want to take up the record with a long statement when possibly that statement may be covered by other testimony, but if there is anything that you would like me to give testimony upon I would be pleased to offer any information I can.

The CHAIRMAN. Senator, is there an insufficient and imperfect inspection of grain in the Northwest?

Mr. McCUMBER. There is an inefficient, and there is a very imperfect system, throughout the Northwest; and not only throughout the Northwest, but throughout the principal grain centers so far as I can ascertain.

The CHAIRMAN. What are the evils that result to the producer from that imperfect inspection?

Mr. McCUMBER. The evils that result to the producer are that he does not secure a just grade for his grain.

The CHAIRMAN. And to whom does the benefit inure?

Mr. McCUMBER. The benefit inures to the terminal elevator man and to the exporter.

The CHAIRMAN. What is the remedy for that evil, in your judgment?

Mr. McCUMBER. The remedy, in my judgment, is an inspection that will be absolutely free from the control, directly or indirectly, of those who are interested in the purchase of grain themselves, by a uniform system of grading—an efficient and scientific system of grain grading.

The CHAIRMAN. Is a uniform system of grain inspection in this country practicable?

Mr. McCUMBER. It certainly is practicable, when we understand what you mean by uniform system. That does not mean, Mr. Chairman, that we should have simply one grade of grain for all of the different characters raised in the United States. We have about eight different varieties, general varieties, of grain, raised in different sections of the United States, and each has its own standard.

Mr. STEVENS. You are speaking of wheat now?

Mr. McCUMBER. I am speaking of wheat. Each has its own standard, and there would have to be, of course, a standard which could be applied as near as practicable to the several kinds of grain, the species, and also to the grain raised in certain sections.

The CHAIRMAN. Will you give your idea, in outline, of the system of inspection that would be effective with reference to the conditions you have suggested?

Mr. McCUMBER. We have now, scattered throughout the country, laboratories that are established by the Agricultural Department. The object of those laboratories is to carefully examine the several grains, and to learn their constituents as nearly as possible for the purpose of determining whether or not it is feasible to secure a uniform system of grading. The officers of the Agricultural Department have been investigating that subject for several years, and undoubtedly they have given it a great deal of thought. They have had experts at work on it. Now, they can apply that knowledge which they have obtained—that is, the Agricultural Department, through its employees, could do the grading of grain throughout the United States. My belief is that the whole matter of the grading of grain should be turned over to the Agricultural Department, and that we should have a national standard of grain. It would give confidence, not only to the home producer, but it would give confidence to the foreign purchaser; it would be unbiased, and would give confidence also to the producer.

At the present time I think it is safe to say that the grades of grain going into the great terminal markets are raised from 1 to 2 points after the grain has been purchased from the farmer and before it is

shipped out. The lower grades are lost entirely and the higher grades, such as No. 1, are greatly increased. It is safe to say that at the terminals at Chicago, Minneapolis, and at Duluth there are three times as many bushels of No. 1 hard and No. 1 northern shipped out of each of these terminal elevators as are taken into the terminal elevators. There are more than double the number of bushels of No. 2 grain shipped out than are taken in. The No. 4 grades, the rejected, and No. 3 are in many instances lost entirely. I did not bring over any of the figures along this line, but I could take the report from the Minnesota department to show that it has been the unvarying rule for the last ten years.

Mr. TOWNSEND. How is that brought about, Senator?

Mr. McCUMBER. It is brought about, as has been already indicated here, by absolute undergrading the grain of the farmer; there is no question about that. It is undergraded as it is taken in; and it is also brought about by overgrading for the purpose of export.

Mr. TOWNSEND. How is the farmer to get a benefit from this inspection then?

Mr. McCUMBER. Very simply. All our grains receive their values according to their grading. All contracts are made for the purchase and sale of grain by grades, so therefore their value is dependent entirely upon the grades. If the farmer receives No. 1 grade for No. 1 wheat, he makes more than he would if he received No. 2 grade for No. 1 wheat. Now, how will that affect him, you say? The prices are fixed at the terminals. Every independent buyer of the producer at the country elevator purchases with the idea of selling at the terminals. If he knows that he can not get better than No. 2 grade for No. 1 wheat, he can not give more than No. 2 grade for No. 1 wheat; so that finally the producer must necessarily lose where there is an inefficient or improper grading at the great terminals, remembering that the terminal markets not only grade, but fix the price all along the line back to the producer.

Mr. TOWNSEND. What determines an honest grade? What constitutes No. 1 and No. 2?

Mr. McCUMBER. Every terminal has a system of its own. They are governed by different laws and different rules. I can raise on a farm in North Dakota, say, three carloads of grain. I will send one carload to Minneapolis, another to Chicago, and I will send another to Superior, Wis. Each one of those terminals having different methods of grading; the Minnesota grade may require that No. 1 wheat shall contain a certain proportion of Scotch fife; that it must weigh a certain number of pounds to the bushel; that it must have a certain coloring. That is Minnesota grade. I take the same grain to Chicago, and it has a different method, so that grain that might be No. 1 in Chicago would be only No. 2 in Minneapolis, and might still be another grade in Superior, and still another grade if it is shipped down to New Orleans.

Mr. ADAMSON. The point is then to see that the same grade of grain is given at every place?

Mr. McCUMBER. Yes, and also that we secure an unbiased judgment upon the grades.

Mr. ADAMSON. You have an idea that a uniform system might secure for you the same grading for the same wheat everywhere?

Mr. McCUMBER. Practically, yes; certainly it would.

Mr. STEVENS. Where do you get your information and statistics about the different amounts of grain graded out and graded in?

Mr. McCUMBER. From the reports of the Minnesota grain department; from figures taken from them. I haven't got them here.

Mr. STEVENS. I want to call your attention to the report of the chief inspector of grain of Minnesota, which I think is about the last report, and which reads something as follows, page 60—

Mr. McCUMBER. I have not seen that report, and I can not answer for it.

Mr. STEVENS. "Grain received in the Minneapolis district, No. 1 hard, 32,100 bushels. Inspected out, 39,999 bushels." Do you think that would be a great difference?

Mr. McCUMBER. In that instance, no.

Mr. STEVENS. "No. 1 northern received, 538,818 bushels; inspected out, 547,986 bushels." Is that any great difference?

Mr. McCUMBER. No great difference, no.

Mr. STEVENS. At Duluth I find this: Received, for the year: In, 9,920 bushels; out, 9,920 bushels.

Mr. McCUMBER. Very little difference there.

Mr. STEVENS. No. 1 northern: In; 425,040 bushels; out, 425,040 bushels. No. 2 northern, In 181,821 bushels; out 181,821 bushels. Do you not think it is wise to have the official reports investigated carefully before making statements?

Mr. McCUMBER. I have taken the official reports—I have not taken those of 1907, but I have had all of the official reports; they have been given to me, and I have taken the figures from them. What statements I have given—

Mr. STEVENS. Do you claim that the official reports are falsified?

Mr. McCUMBER. I do not know anything about 1907. I have understood that they have attempted to adopt a different system of their grading and the method of keeping their reports since we have agitated this question.

Mr. STEVENS. Do you know the details of the system of Minnesota inspections?

Mr. McCUMBER. Oh, substantially.

Mr. STEVENS. And what changes would you recommend to improve those details?

Mr. McCUMBER. I would recommend no particular change in the detail of the methods. I consider that the Agricultural Department, if a change should be made, could over night take the same force of inspectors that you now have in the State of Minnesota at those great terminals and cause them to become inspectors for the Government instead of inspectors under the State system, and that they would be free from that fealty which they naturally owe toward the force that appoints them.

Mr. STEVENS. Who does appoint them?

Mr. McCUMBER. They are appointed through the influence—they are there appointed by the chief inspector, and the chief inspector is appointed through the influence of the great terminal elevators.

Mr. STEVENS. I want to state that the Senator is entirely mistaken about that.

Mr. McCUMBER. There is a difference of opinion.

Mr. ADAMSON. Heretofore the excuse for legislation of this kind has been that it protects people of other States by improving the

methods of shipment from the particular State where the shipment originated. Is there anything in this bill that would protect the citizens of Tennessee, Georgia, or Florida from spurious shipments of impure or imperfect wheat?

Mr. McCUMBER. I absolutely think so.

Mr. ADAMSON. What is it?

Mr. McCUMBER. I think that would be the result. In answer to your proposition, I would say that there is serious complaint. Take the resolution of the independent shippers from all over the United States, reciting the injustices of the present system. It is given to you and to the country.

Mr. ADAMSON. What is the form of injury in those other States of which they complain?

Mr. McCUMBER. I will give you an instance from Kansas, a very late one. A carload of grain is graded in Kansas as No. 2, whatever their standard may be. It crosses the line over into Missouri, and there is graded under another system, and it may be No. 3. It goes into Illinois, and is there received at a different grade, which may be No. 4—I am giving now substantially the result. It passes then to New Orleans and receives a certificate of no grade. It then goes into the hands of the exporter and it is given back its No. 2 grade, the grade at which it started. It is sold then as No. 2 and the No. 2 price is received for it. Everyone who deals with that grain as it passes from one State to another, where its value is reduced according to the grade, necessarily will lose, and the exporter will necessarily gain.

Mr. MANN. Are you stating an actual case?

Mr. McCUMBER. I am stating now from the reports. I am not a shipper of grain, and I can not give anything from my own observation.

Mr. ADAMSON. I did not refer to the exportation of grain, but of the grain that you use in other States; that you distribute in other States.

Mr. McCUMBER. The same complaint is made everywhere.

Mr. ADAMSON. Do they complain that they do not get the grade and the quality they buy, or do they complain that it is an impure grain?

Mr. McCUMBER. The complaint is that they do not get the grade that the grain is entitled to.

Mr. RYAN. In the case that you stated, Senator, the grain finally received the grade it had at the initial point?

Mr. McCUMBER. Yes.

Mr. RYAN. The farmer, then, did not suffer.

Mr. McCUMBER. That is given in a resolution. The one car of grain ordinarily does not go nor is it inspected at all of the different points.

Mr. MANN. And is it possible to trace a car of grain that way? That is a case of imagination.

Mr. ADAMSON. Now, as to my second question; what is there in this proposed change of method of inspection that would help a purchaser in Florida who was buying your grain, or in any other State?

Mr. McCUMBER. Grain shipped from the State of North Dakota to the city of Minneapolis, and in Minnesota, year in and year out, does

not, according to the reports of this board—I have not examined the report for 1907—

Mr. STEVENS. What board?

Mr. McCUMBER. The Minnesota board.

Mr. STEVENS. From which I just read?

Mr. McCUMBER (continuing). Does not receive a just certificate as to its character. That is evidenced, I repeat, from the fact that the reports so far as I have examined them, with the exception of perhaps a year or two back, show that there was a vast amount more of a high grade shipped out than was shipped in.

Mr. STEVENS. Then will you admit that the later reports show that that is not true?

Mr. McCUMBER. I have not seen the later reports.

Mr. MANN. Assuming that you are correct as to the present situation—and I have no doubt that you are—No. 1 northern is required to be by the Minnesota regulations sound, bright, sweet, clean, consisting of over 50 per cent of hard Scotch fife, and weighing not less than 58 pounds to the measured bushel. Now, you are judge enough, I am sure, of wheat—I do not know how much a farmer you may be, but I know you would be a good one if you were one—to know that very often in wheat there may be wheat that is not sound; shrunk wheat in small amounts. That will keep it down from being No. 1. Isn't that a common thing?

Mr. McCUMBER. Why, even under that rule we would not measure it up to the percentage; it would not be No. 1.

Mr. MANN. If there is not much shrunk wheat in it, it can measure up to 58 pounds to the bushel?

Mr. McCUMBER. Certainly.

Mr. MANN. Shrunk wheat occupies less space than an equal weight of sound wheat. Now, have you any objection to the man who receives the wheat at the elevator cleaning it—screening it—so that the shrunk wheat is taken out, leaving the sound wheat and grading it as No. 1 wheat? Don't you think that that is a desirable thing to do and in the interests of the farmer rather than the purchaser?

Mr. McCUMBER. Answering that question, I am perfectly free to say that I do not think that that is the way the grading should be done. If the farmer under the present system has No. 1 wheat and there are weeds in it, so that with the weeds or whatever foul stuff there may be in it it will not weigh up to the standard, when the foreign matter is eliminated it will weigh up to No. 1 grade. There is taken out a certain number of pounds for dockage. The number of pounds that is taken out for dockage, I think, we will all agree, under the system, is a sufficient amount not only to pay for the expense of putting the grain through the suction draft as it goes through the lower part of the elevator to the top of the elevator, but is, in addition to that, enough to give a good profit upon the dockage itself. So I think that the producer should have the grade that his grain is entitled to after a reasonable allowance has been made for this dockage, which would include the expense of taking out the foul stuff.

Mr. MANN. Yes, but you do not answer the question. Suppose here is a bushel of wheat that has enough shrunk wheat in it—

Mr. McCUMBER. The rule would apply just the same. The shrunk wheat that could be taken out and used passes through

the suction draft and would be taken out as dockage. The shrunken wheat is considered in the matter of dockage.

Mr. MANN. But what I want to get at is this: Here is a bushel of wheat, and because it has a certain percentage of shrunken wheat in it weighs 54 pounds to the measured bushel, whereas if it weighed 58 pounds to the measured bushel it would pass as No. 1 northern. Do you think there is any objection, when that wheat goes into the market, to the elevator man eliminating that shrunken wheat, and leaving a residue which will weigh 58 pounds to the measured bushel, and having that graded as No. 1 northern; or do you think that ought to grade as No. 1 northern in the first place, regardless of the fact that it only weighs 54 pounds to the measured bushel when the rules require 58 pounds to the measured bushel?

Mr. McCUMBER. I should think it should be graded as No. 1 northern if it would be No. 1 northern after it has passed through the suction draft.

Mr. MANN. Then, you expect the man who grades the wheat to determine in advance exactly how much shrunken wheat may be thrown out when cleaned?

Mr. McCUMBER. He does that now.

Mr. MANN. Oh, no; I beg pardon.

Mr. McCUMBER. He does.

The CHAIRMAN. Your rule, Mr. Mann, authorizes 8 pounds of shrunken wheat.

Mr. McCUMBER. He does it now.

Mr. MANN. I beg pardon; I am familiar with the loading of wheat, and he does not do it.

Mr. McCUMBER. And I am familiar with the grading in our section and know that shrunken wheat is taken into consideration in determining the amount of dockage.

The CHAIRMAN. Then, Mr. Mann, you did not accurately read the rule.

Mr. MANN. Oh, yes; I did.

Mr. ESCH. Are you reading a Chicago rule?

Mr. MANN. Yes. Your claim, Senator, is that the No. 1 northern wheat shipped out is greatly in excess of the amount shipped in, but you do not take into consideration at all the fact that a large amount of this wheat may become No. 1 northern when the shrunken wheat is taken out and it is cleaned; and that that is done as a matter of fact.

Mr. McCUMBER. Oh, that is done as a matter of fact; certainly, I understand that.

Mr. MANN. That accounts for the difference.

Mr. McCUMBER. Yes, it does; the difference that I have given from the tables which I have seen.

Mr. STEVENS. Do the official records show what the average dockage for wheat has been?

Mr. McCUMBER. I can not keep them in mind.

Mr. STEVENS. Have you the figures showing?

Mr. McCUMBER. I haven't them here. I have had figures from the different reports that show the dockage.

Mr. STEVENS. Mr. Gronna read some figures from a report showing about three-quarters of a pound to the bushel. The official records of Minnesota show on the average about 19 ounces per bushel. That was for all purposes.

Mr. TOWNSEND. That was after it had been shipped out of the elevator, as I remember the testimony.

Mr. STEVENS. This record that I have shows that the average amount of dockage per bushel is 19 ounces, while Mr. Gronna's was 12 ounces.

Mr. McCUMBER. I do not know whether Mr. Gronna has given the receipts shown by the report of the investigation of the North Dakota Bankers' Association made in 1906——

Mr. STEVENS. Yes; he gave it.

Mr. McCUMBER. And I certainly have no reason to believe that this association, which made these figures from the record that was taken from this board, falsified that record and made a public statement of a falsehood. I do not believe they have. There certainly would not be any object in doing so; and that report discloses that 99,000 bushels of No. 1 northern was received in a single elevator, and that there was shipped out 196,000 bushels.

Mr. STEVENS. But that record only goes for three months, and it does not show the amount of wheat in the elevator before or after.

Mr. McCUMBER. It makes an allowance of the amount which was on hand.

Mr. STEVENS. Mr. Gronna did not state that to us, and I asked him with regard to that particularly.

Mr. McCUMBER. It gives, on hand, estimated, 12,733.10; that is given in the table.

Mr. STEVENS. I asked about that.

Mr. McCUMBER. That was given in the table.

Mr. BARTLETT. I have some letters from people who buy grain, asking about the bill. They say they do not get what they bargained for. How is this bill going to help the situation in my part of the country, regarding those who buy wheat? Is it the fault of the elevator man that he does not get what he bargains for?

Mr. McCUMBER. The complaint is almost universal that the grain that comes from the terminal elevators throughout the United States does not correspond in character or quality with the certification of that grade; that when it is sold to the public, or if it is shipped abroad, it does not correspond to the requirements of the rules of the board of trade of the city from which it is shipped, or the laws governing the character of the grain where it is under State control.

Mr. BARTLETT. Who is responsible for that. How does that happen and how will you relieve it by this bill? That is what I would like to know.

Mr. McCUMBER. The responsibility—that is in the inspectors at the terminals.

Mr. STEVENS. But you told us that you would take the same force of inspectors under the chief inspector in Minnesota.

Mr. McCUMBER. I stated that to start a system of this sort the Agricultural Department should have a force, and would naturally take those who were experienced men; and in the very beginning that it would undoubtedly take the present force of inspectors at these great terminals, and it would then eliminate the inefficient.

Mr. BARTLETT. As I understand the complaint of the wheat raiser in North Dakota, it is that the inspection and the grading of the wheat by the elevator people is too low in many instances, and he therefore suffers a loss by having his wheat graded too low; while the people

whom I have complaints from, who call my attention to it, say that when it is sold after it is inspected and graded——

Mr. McCUMBER. Gentlemen will understand that this is inspected twice.

Mr. BARTLETT. I am not familiar with it.

Mr. McCUMBER. It is inspected in, and then inspected again out; and the complaint is that the inspecting in and the inspecting out are not the same.

Mr. ADAMSON. You are replying now regarding the particular matter I was asking about. Our constituents who allege reasons for the legislation say that they do not get as good as they buy. Your reason for wishing the legislation appears to be that the farmers should get better. How do you reconcile those differences?

Mr. McCUMBER. I think the elevator man gets the better of the producer in undergrading and the consumer in overgrading. That is what I claim.

Mr. ADAMSON. Then who gets that benefit? If you send a carload to Europe, and the buyer beats you by getting a better grade than he pays for, and another carload goes to Mr. Bartlett's district or to mine, and the buyer there gets a lower grade than he pays for, who gets the benefit there?

Mr. McCUMBER. I would be very glad to answer that question. You take a carload of No. 1 grain that starts from western Minnesota or from my State; it is graded and has a No. 1 grade. It may be graded in the terminal as No. 1 or it may be graded as No. 2, but the chances are if it is graded as No. 1 that it is an honest grade, and when it is shipped out it will be mixed with No. 2, No. 3, and 4, and all be graded No. 1.

Mr. BARTLETT. Who does the mixing?

Mr. McCUMBER. The terminal elevators.

Mr. STEVENS. Is that done in Minnesota?

Mr. McCUMBER. I think so; yes, sir.

Mr. STEVENS. You know that the law prohibits it?

Mr. McCUMBER. I understand there are mixing elevators in both Duluth and Minneapolis to-day.

Mr. STEVENS. Running under the public law?

Mr. McCUMBER. Under public law; that is what I understand.

Mr. MANN. Senator, you are mistaken about their being mixed in public elevators.

Mr. McCUMBER. They are mixed in the elevators at the terminals.

Mr. MANN. Private elevators?

Mr. McCUMBER. Yes. I mean at the terminal elevators; I intended to say terminal instead of public. The grain is mixed with No. 2, 3, and 4, and it is certified out as No. 1, the whole thing. It is not No. 1; it goes to a foreign market and it is purchased under a contract as No. 1. When the foreign miller or the foreign dealer receives it he immediately ascertains that it is a poor grade; he will accept it at that time, but after that he will pay only a No. 3 price for a No. 1 American grain. I have a letter from Mr. Patterson, as chairman of the London Importers' Association, and also of an association that is organized purposely for considering these grades, and he declares that the American wheat throughout that country does not receive the same price for a given grade as the grain of other countries. Now to make that clear, finally the grain will have to go to Europe

for what it is worth for milling purposes, and grain which is sold in Europe as No. 1 for a No. 3 price fixes the price of No. 1 clear back to the farm on a No. 3 basis. That is how the producer loses.

Mr. ADAMSON. Now, you have followed that car to Europe; the other car was started to Georgia at the same time, and I would like to ask if the same process, the mixing of the wheat in that car, is pursued before delivery in Georgia?

Mr. McCUMBER. Often.

Mr. ADAMSON. And then the difference is that the European buyer can reject and pay only for the grade he really receives, while the citizen of my State can not do it.

Mr. McCUMBER. As I say, the foreign purchaser may get beat once or twice upon these grades. He will pay for the grade that he contracted for, but the next shipment that he receives he will not agree to take as No. 1, and will pay for what he believes to be No. 2 or No. 3 grain.

Mr. ADAMSON. But the citizen of another State who is beaten can not quit.

Mr. McCUMBER. He can, just the same; but a citizen of another State that buys for his own use ordinarily buys for milling purposes, and he will, as soon as he can examine the grain, buy according to quality. But if he can not examine it he must take the grades, and when he gets the grades and the prices on them he must accept them, and if the grain received does not measure up to its certification he naturally loses.

Mr. BARTLETT. Isn't it a fact that the price of wheat is fixed in London, like the price of cotton is fixed in Liverpool?

Mr. McCUMBER. Whenever we have a considerable amount for export, that is certainly true. Two years ago, when we had a limited export, the Liverpool price did not affect our price at all.

Mr. BARTLETT. The price of wheat being fixed in London, then that price is fixed according to the grades that they require the wheat to come up to in exporting; is that true?

Mr. McCUMBER. They buy according to the American standard, whatever the standard may be. But the testimony is that they do not pay within 4 or 5 cents a bushel as much for the standard of American grain as they will for Canadian grain, because they have confidence in the grades from Canada, and confidence in the grades from Argentina and other countries. The testimony of all the buyers, so far as I can learn, is to the same effect. In some cases it has even driven the American grain out of the market.

Mr. HUBBARD. What is the system of Canadian inspection; is it in charge of the Government?

Mr. McCUMBER. I think so.

Mr. ESCH. You stated that the producer was put to a disadvantage by reason of undergrading on the part of the owner of a primary elevator, the independent owner. Now, supposing there was a string of elevators owned by a terminal company, would that be true also?

Mr. McCUMBER. Where there is a line of elevators, their agents purchase in the country according to telegrams received every day giving the price of wheat for that day, and often even the grade is determined beforehand at the great terminals. They will instruct the agents, for instance, not to give more than a certain grade, no matter what the quality of the grain.

Mr. ESCH. That is before the season's crop is harvested.

Mr. McCUMBER. While the season's crop is being harvested. In the testimony which I had last year before the committee, for instance, showing the instructions that were given to agents in my State, they were to the effect that they would not give more than No. 2 northern for any grain, and not to grade anything above that.

Mr. RYAN. But you could not cure that by this legislation?

Mr. McCUMBER. Certainly; we could cure it by securing the actual grading. I want to explain that part, because I can see the question is somewhat far reaching, and I wish to explain how it would affect it. In our State, for instance, we ship a great deal directly from the farm in small lots. The smaller farmers use the elevators, the larger ones shipping, where they can, directly from the farm to the terminals. Now, we will suppose that we have a national inspection at Duluth. These farmers can send down a sample of their grain and find that the grain will grade No. 2 northern. Now, if the terminal elevator man instructs his agent there to give only No. 3 northern for No. 2 grain, he will not secure a great deal of the grain, and there will be found some means of avoiding that agent, because the grain raised in any year in a given community is ordinarily about the same, at least it is very similar, and farmers would band together and ship their grain to the terminals and receive United States grades.

Mr. STEVENS. Isn't there deterioration in grain raised for long periods on the same soil?

Mr. McCUMBER. Certainly; and raising for long periods in the same soil in the same community and the same section will ordinarily show the same result. So that there will be sufficient competition, and no elevator company could afford to instruct its agents to give what everyone would know would be below a United States standard in that vicinity. The grain would seek other means of terminal facilities.

The CHAIRMAN. Senator, have you given any attention to the probable number of employees that would be necessary under the bill H. R. 6293?

Mr. McCUMBER. I have had a statement from the Agricultural Department to the effect that the employees will not be materially changed from the number required now. The bill requires inspection only at the great terminals, and of course it is only on interstate grain.

Mr. BARTLETT. But you say "such other assistance."

Mr. McCUMBER. Of a like kind. It does not mean that there shall be a man at every elevator in the United States. The information that I received from the Agricultural Department is to the effect that it will not necessarily increase the number now employed at these terminals.

The CHAIRMAN. The number of Federal officials?

Mr. McCUMBER. The number of Federal officials will not be very much, if any, greater than the number now required under the several systems at these same terminals.

The CHAIRMAN. It is that number that I want some information about. How many new Federal officials will be required to take the places of those who are now performing this service?

Mr. McCUMBER. I haven't those figures here, but I think I can get them for you.

Mr. STEVENS. In regard to that, I would call attention to the language of section 13 of Mr. Gronna's bill, the first four lines:

That the shipment or consignment of any grain aforesaid from any of the places mentioned herein to another State or foreign country without the same being inspected and graded as herein provided is hereby prohibited.

You have a crop of seventy-odd millions of bushels of wheat alone in North Dakota?

Mr. McCUMBER. Yes, sir.

Mr. STEVENS. How many inspectors would it take to enable the grain to be shipped out of North Dakota?

Mr. McCUMBER. It would not take any.

Mr. STEVENS. Your bill provides that it must be inspected before it leaves the State?

Mr. McCUMBER. No; I beg pardon; it does not. It must be inspected at these terminals. We have no wheat terminals in our State. That is where the gentleman is mistaken; and if you will read the bill you will see that it provides for inspection at certain points. That means at those points and those points only. And if the Secretary of Agriculture finds that there are some other points besides those mentioned, terminal points for grain, that should be included, he may include them. But that is where the inspection is to take place. And what will be inspected is grain going from a foreign State to that terminal while it is in interstate commerce, and before it leaves that condition. Grain going from that terminal into other States, or for foreign export, will also be inspected, and nothing but interstate grain shall be inspected.

Mr. STEVENS. If there should be disagreements, and there always are, between the owner and the consignee, or the buyer and seller, and there is finally a dispute that must be carried to the last resort for a decision, where is that provided for in the bill?

Mr. McCUMBER. The bill itself I think provides for even more than is necessary. There is an appeal taken from the deputy to the chief inspector. Ordinarily one appeal is enough, if we have the Secretary of Agriculture, or the Department, overlooking the whole. But if the claim is that the judgment of the chief inspector is not just and fair, the matter can always be brought to the attention of the Secretary of Agriculture, who may render a final decision. The bill provides for appeal to the Secretary of Agriculture. I understand that very few cases indeed would ever come up on appeal from the chief inspector.

Mr. STEVENS. Do you think that that is fair?

Mr. McCUMBER. Yes; I would say that probably one appeal is enough. If they had more than that it might be proper, in order to have the appeal heard very shortly and in the vicinity of the grain, to have some kind of a board pass upon it.

Mr. STEVENS. We have two appeals in Minnesota. That seems to work well, doesn't it?

Mr. McCUMBER. Not from the information I get.

Mr. STEVENS. You do not think that the second appeal helps any, do you?

Mr. McCUMBER. Ordinarily not. The cases in which the deputy is reversed are exceedingly limited.

Mr. STEVENS. The records differ from you,—but I do not suppose that makes any difference.

Mr. McCUMBER. If the gentleman will take the entire number of cars that are inspected and the number of appeals that are taken, I don't think he will find that there are a great many appeals. The shipper has learned, and learned long ago, that there is not much use of appealing.

Mr. STEVENS. I have a record here showing that out of a total number of cars inspected of 1,861,000, the cars reinspected were 220,000, the cars changed on reinspection 107,000; cars sustained on reinspection 113,000; cars appealed 71,000; cars changed on appeal 22,000, and cars sustained on appeal 48,000. That is an official record.

Mr. McCUMBER. I do not think that discredits my statement.

Mr. MANN. You remarked a moment ago that this would affect only grain in interstate commerce. What would be the effect upon grain that is raised in Minnesota or Illinois?

Mr. McCUMBER. And sold within the State?

Mr. MANN. Well, naturally, most of it goes out.

Mr. McCUMBER. That does not enter into interstate commerce.

Mr. MANN. It goes to what you call the "terminal" before it is in interstate commerce. Would the Federal officials have authority to inspect that?

Mr. McCUMBER. Certainly not.

Mr. MANN. Then you would have to maintain in Chicago two sets of officials.

Mr. McCUMBER. No, I do not think you would.

Mr. MANN. One Federal and one local. Who would inspect the corn raised in Illinois?

Mr. McCUMBER. I can give my answer to that: 95 per cent of the grain entering terminals enter them for the purpose of delivery, or else they are importing grain. No one would attempt to keep up another and a different system for the other 5 per cent, and I have no doubt that one of two things would result, either purchases would be made and gladly made by those who sell the other 5 per cent under national inspection the same as meat is inspected now, the same as we go into the packing houses and inspect meat, whether it is to be shipped out or within the State, and they are glad to have it inspected by the Government—either that would apply or else the standards adopted by the Government would be also adopted by those States or boards of trade—

Mr. MANN. You say 95 per cent. Is that an estimate made after examination?

Mr. McCUMBER. It is an estimate upon information that I have had from shippers.

Mr. MANN. It is perfectly plain to any one cognizant of the facts that more than 5 per cent of the grain that goes to the Chicago market is raised in Illinois.

Mr. McCUMBER. Yes; and I think you will find that a great percentage goes out, too.

Mr. MANN. But nobody knows how much. It goes in car lots consigned to commission merchants in Chicago, and raised, say, in McLean County, Ill. Would the Federal officials have the authority to inspect it under those circumstances?

Mr. McCUMBER. In, no; out, yes.

Mr. MANN. Coming in?

Mr. McCUMBER. Unless it was designed to ship it immediately without changing hands. My friend understands the law as well as I do—that the Government would have no authority to inspect grain that was wholly intrastate grain.

Mr. MANN. I supposed, of course, that the gentlemen who are pressing this bill had given that consideration, and that was the reason I asked.

A very large proportion of the corn and oats shipped to Chicago is raised in Illinois and shipped to the commission men at Chicago, with no destination outside of the State. Under this proposed law the Federal officials inspect the grain that comes from Iowa and the State officials inspect the grain that comes from Illinois, mixing the two sets of officials, and putting the same grain in the same warehouses and in the same bins.

Mr. McCUMBER. The Federal officials would inspect the grain that comes from Iowa, and they would also inspect the grain that would leave Chicago for a foreign State, no matter what proportion it was or whether it came from the State itself; and by the time they got through I think they would have inspected about 95 per cent of the grain that comes into Chicago.

Mr. MANN. Oh, that is possibly true, although that is not the case so far as the percentage is concerned. A much larger proportion of the grain than that is used in Chicago for milling and other purposes.

Mr. McCUMBER. I do not know the exact number, but I do not suppose the Chicago mills and the mills in the immediate vicinity would take up sufficient to materially affect the percentage.

Mr. STEVENS. It would be so in Minnesota, wouldn't it?

Mr. McCUMBER. I think so.

Mr. MANN. It is also the case in Chicago; but what I want to get at is whether under your proposition it would be necessary to maintain two sets of inspecting officials, one by the General Government and one by the State government, in order to inspect all the grain that comes to the market.

Mr. McCUMBER. I thought I had answered that. It would be necessary if the State so desired. If the State desired to have but one inspection, there is no question in my mind but what, if the law went into effect, it would be modified so that the same force could inspect all of the grain.

Mr. MANN. That is what I wanted to get at. If this bill goes into effect, and the Federal officials are appointed, can the same officials inspect the intrastate grain?

Mr. McCUMBER. Certainly; there would be no question about that, if it was to be sold and consumed in the State. And if the State itself was satisfied no one else could complain.

Mr. MANN. Would they inspect the local grain as Federal officials or State officials; and who would pay the officials, the Federal Government or the State government, or both?

Mr. McCUMBER. As I say, the Federal Government would only inspect intrastate grain, and the Federal Government would pay for it. The inspection in all of the centers is charged to the person who has shipped the grain.

Mr. MANN. I asked you if you thought it would be possible for the State government to authorize the Federal officials to inspect intrastate grain?

Mr. McCUMBER. I think it would be—yes, I think it would be proper, and as I said before with reference to the inspection of meat from the packing houses in Chicago, whether the meat is designed to be used in the city or whether shipped abroad, the packing houses are glad to have their meat inspected and to receive the Government stamp upon it. I believe that if you try a law of this kind that your shippers and those who deal in grain in the State of Illinois would be equally glad to have the Government place its stamp of certification upon all the grain.

Mr. MANN. Then you would have three sets of inspectors—one for the Federal Government, one State, and one local or municipal inspection.

Mr. McCUMBER. My answer refutes that.

At 12 o'clock noon the committee adjourned to meet at half past 1 o'clock.

AFTERNOON SESSION.

The committee met at 1.30 o'clock p. m., pursuant to the taking of recess, Hon. William P. Hepburn (chairman) in the chair.

STATEMENT OF SENATOR PORTER J. McCUMBER—Continued.

Mr. McCUMBER. Mr. Chairman, this forenoon you asked me if I had any estimate of the number of inspectors that would be required under this bill, and I replied, I think, that I had, but did not have it with me. During the recess I have obtained the estimate that was given by the Agricultural Department, and not only, Mr. Chairman, was the estimate made on the cities that are included in the bill, but on double the number, and the total number that is given as necessary for the inspection is about 650 men. That includes 34 cities, the most important grain centers; and if I remember rightly, either by the letter which I wrote to the Secretary of Agriculture through which I secured this information, or by some verbal communication, I requested him to give the number, under any possibility, of any places where he thought it would be best to place agents or inspectors.

The CHAIRMAN. A large number of that 600 men would displace men who are now engaged in this business and under other employment?

Mr. McCUMBER. I am inclined to think they would displace all of them, because I think if we established the United States standards at those places the States themselves would establish the same standards, and would make some arrangement to have all inspecting done by the Government.

The CHAIRMAN. It would not, then, increase the expenses of inspection?

Mr. McCUMBER. Not in the least.

The CHAIRMAN. But it would simply transfer the payment for that service to the Government?

Mr. McCUMBER. I do not think it would increase, in the least. It might possibly increase in some cities and decrease in others. The charges for inspection range all the way from 15 cents to 75 cents a car. I think Minnesota has the cheapest inspection, and that is

15 cents per car, and the estimate which the Secretary of Agriculture has made, and which I will submit here in the form of a table, states the amount which would be required for each one of these cities, which I think would not exceed 35 cents a car for the inspection.

Mr. ADAMSON. Would not the same class of men have to be employed by the Government that are now employed by the local authorities?

Mr. McCUMBER. I think in the beginning, if they took experts at all in grain grading and inspection, they would have to take men from that source.

Mr. ADAMSON. If the same men did that work, how would the change of authority under which they work improve their character?

Mr. McCUMBER. In several ways. They would not be influenced one way or the other by the appointing power. They would be absolutely free in that respect. They would be under the supervision of the Department of Agriculture, whose only desire would be to secure correct grades, and as near a scientific grade as would be possible. If a man was inefficient, the Secretary of Agriculture could discharge him, and with the laboratories which are constantly giving the necessary information, and with the instructions that would be received from the Department upon the scientific investigation, I think that all the inspectors in a short time would become experts, to a greater extent than they are to-day.

Mr. ADAMSON. The same man would be improved by the change of his influences and the authority under which he would work?

Mr. McCUMBER. And the information which he would receive. I think that is true. Now, I can go a step further. I think also that the inspection by the Government would be done with a great deal more care than it is at the present time. I can give you an instance, which I received from a member of a board of trade in Chicago, and in which he gave me a statement as to the number of cars that were inspected by a single inspector, I think in one day or about half a day, which was 240 cars. That was the greatest number. That required this inspector to walk down one side and up the other side of the line of cars and to open them; he had to travel about 5 miles to do his inspecting. The number of cars would net about \$75 for the inspection to the board there. That is, he did \$75 worth of work during the forenoon.

Now, it was physically impossible for any man to do that amount of work and to do it justly and properly. All he could do in that time was to guess at the grade. I have similar complaints, although not to the same extent, as to the inspection, especially during certain months of the year, in Duluth and in the other Minnesota centers—not a sufficient force. So possibly it will be necessary to increase the force at some of those cities during a certain time, and undoubtedly that would be done, and inspectors could be taken from one section, at a time when they were not needed there, and sent to another section. I am speaking now of Government inspectors. So, on the whole, I do not think it would require any greater number. I think it will be found that the amount of fees collected for all the inspection throughout the United States is fully as great as the estimate that is made by the Agricultural Department as to the entire expenses of this system, and I do not anticipate, Mr. Chairman, that it would either raise or lower the charges, which are always paid by the shipper.

This forenoon, in giving my testimony, a gentleman from Minnesota called my attention to the 1907 report of the chief inspector of grain of Minnesota. I do not quite understand this report, and I do not understand whether it is really intended as the regular annual report or whether it contains merely extracts from the annual report. I see this answers old charges that were made some years ago, and it does not contain many tables that are contained in the regular reports that we have received from year to year, and it seems to be designed rather to answer charges against the inspection system there, and demands for national inspection, rather than a mere statement of the grain conditions, the conditions of grain shipment, and so forth.

I have looked over reports which I had, during this recess, for the years 1902, 1903, and 1904. Those are all that I could find in my office in the moment's time that I had. These are the reports from the Duluth weighing department, and this gives the number of bushels of each grade weighed in and the number of bushels weighed out during each year at that terminal, and I want to call your attention to the figures, and I assume that they will probably be the same in 1906 and 1907 and in 1905. I have not got them, as I say. They do not appear at all in the report of 1907 which was referred to by the gentleman from Minnesota. I want to make the statements as nearly absolutely accurate as it is possible for me to make them. I will take the year ending August 31, 1902. I will simply read in round numbers, and leave the table for the stenographer. There was received of No. 1 hard 599,606, and there was shipped out 648,607; only a little more. There was received of No. 1 northern 15,187,012, and there was shipped out 19,886,137, or something about four and a half million more. There was received of No. 2 northern 19,693,454, and there was shipped out 15,178,999, so that you see the figures are just reversed on the No. 1 and No. 2. There was four and a half million less of the No. 2 and four and a half million more of the higher grade.

But the most important injustice, I think, is done to the farmer and the producer in what are known as the lower grades, lower than No. 1 and No. 2. There is very little No. 1 hard now raised in that section of the country. When I get down to No. 3 I find that there was received 7,035,133, and there was shipped out only 1,971,355, or about five times as much of that low grade received in as was shipped out. Then I take the rejected, and I find there was 892,241 weighed in and 94,626 weighed out, or nearly nine times as much of the higher grade shipped out as was taken in. When I come to the "No grade," which I think is grain that is too poor to be graded, there was 2,561,595 weighed in, and there was only 468,922 weighed out. That would be about seven times as many bushels of the no grade shipped in as were shipped out.

Now, take the year ending August 31, 1903, and, without reading them, the figures will show the first grades in about the same relation: No. 3, 1,300,563 received and only 297,794 shipped out, or about seven times as many bushels received as were shipped out. When I come to the rejected, there were 1,890,093 bushels weighed in of rejected wheat and only 77,624 bushels weighed out, or about fifteen times the number received as were weighed out. Of the "No grade" there was 966,170 bushels weighed in and only 112,840

bushels weighed out. I will not go over the figures for the year ending August 31, 1904, but the table is here, and it is substantially the same. I will place that table in the record.

I have here the reports, which you can go through, if you desire, of those three years, which I found in my office.

The table referred to is here printed in full, as follows:

[From annual reports Minnesota chief grain inspector for years named, Duluth weighing department.]

WHEAT.

Grade.	Year ending August 31—					
	1902.		1903.		1904.	
	Received.	Shipped.	Received.	Shipped.	Received.	Shipped.
No. 1 hard.....	599,606	648,607	1,628,681	1,746,712	90,543	109,528
No. 1 northern.....	15,187,012	19,886,137	21,905,842	23,906,721	12,401,897	18,217,769
No. 2 northern.....	19,663,454	16,178,999	11,625,037	7,638,201	10,295,172	6,723,752
No. 3 northern.....	7,035,133	1,971,355	1,300,553	297,794	2,616,065	253,299
Rejected.....	862,241	94,626	1,890,093	77,624	2,350,302	314,139
No grade.....	2,561,595	468,922	966,170	112,840	2,586,843	256,943

° Spring.

Mr. Chairman, I have in addition to that here with me, I think, the statement of the number of men that are employed at each of the great terminals under the present system, as far as I could get them. I had my secretary write to the proper officials at each of these grain centers. Some of them replied, and some of them did not.

Mr. TOWNSEND. If I may interrupt you just a moment, I would like to go back to the other proposition.

Mr. McCUMBER. Certainly.

Mr. TOWNSEND. I am very ignorant on that, and so I ask for information. Would it be possible, that any of the wheat that was weighed in under those items there would go into home consumption and therefore would not be weighed out?

Mr. McCUMBER. No; all has to be weighed in and all has to be weighed out. That is my understanding. Under the law every bushel of wheat that goes into the elevators has got to be weighed, and every bushel that goes out has got to be weighed.

Mr. ADAMSON. It looks like the rats eat the low grades, does it not?

Mr. McCUMBER. The lower grades become, by lapse of time, metamorphosed into the higher grades.

Mr. ESCH. Are the lower grades mixed with the higher grades?

Mr. McCUMBER. I assume that that must be done.

Mr. TOWNSEND. Then if you were to add together and take the sum total of all the grades weighed in, should that equal the sum total of all the wheat weighed out?

Mr. McCUMBER. It should.

Mr. TOWNSEND. Does it do it? Have you figured that out?

Mr. McCUMBER. I think the reports show it.

Mr. HUBBARD. That may be affected by the quantity on hand at the beginning and the end of the period.

Mr. McCUMBER. Yes; you would have to take into account the quantity on hand at the beginning of the year and at the end of the year; but with that modification they should practically balance. I understand, however, from many sources that they do not in fact balance. There is a long statement that is given in this record

which Mr. Stevens kindly handed me, in answer to a statement made from Mr. Crumpton, and as I assume it will be before you, it might be proper for me to make a statement about that table. Mr. Crumpton, who was a member of the Superior Board of Trade, which was making an extra effort to get the grain to come to Superior instead of Duluth and Minneapolis, and be graded under the Wisconsin system, was indulging in a very spirited war against the Minnesota system, and he published a statement which he stated he obtained from all the reports of the board, of the warehouse commission of the State Minnesota, and for a period of ten years he showed in that statement that there was 26,000,000 bushels more sold out than were received in.

That statement was published in some of the papers, among others in the Evening Telegram, and was used by me as a mere reference in the address in the Senate in 1905. Afterwards the warehouse commission, through the terminal elevators, answered that and gave their figures to show that his statement was incorrect. Not desiring to be unjust to them, I also introduced and had spread upon the record their answer to this statement, and then submitted their same answer to Mr. Crumpton. He went over the figures again and wrote me again that his original statement was practically correct and that their figures had really made no change, as he explained it. Shortly afterwards the Duluth Board of Trade opened its arms to Mr. Crumpton, and he went in and became a member of the board of trade, and then he signed an affidavit, a statement, that his original statement was incorrect and that he did not take into consideration some of the things that he ought to have taken into consideration. I simply make that general statement in connection with it. I will not say which is correct in that controversy at all, and I have never used the figures since, because I did not consider them authentic unless they were verified by some other man than Mr. Crumpton.

Mr. BARTLETT. Did the low grades shrink as much in the Duluth case as in the case you have been citing from? Did the lower grades shrink more than in Duluth?

Mr. McCUMBER. Yes; the lower grades were almost wholly metamorphosed into the higher grades. At least eight or nine tenths of the lower grades and the rejected and no grade went into the higher grades.

Mr. BARTLETT. They went into the higher grades of wheat?

Mr. McCUMBER. It went into the good wheat.

Mr. BARTLETT. It was classed and sold as that?

Mr. McCUMBER. It was weighed out under an inspection which gave it a grade higher?

Mr. BARTLETT. Yes.

Mr. McCUMBER. These are the figures I took from these reports that I have made the table from. Without taking too much of your time, I simply claim this, under a national inspection; first, that it will give confidence to our grades throughout the United States and foreign countries that nowhere else could be secured. There is the first proposition.

Mr. TOWNSEND. Would it impose any extra expense on the Government?

Mr. McCUMBER. No; because the Government is to charge a sufficient amount, under the bill, just to cover the expense, and nothing more.

Mr. ESCH. The bill provides for an appropriation of \$850,000 now. That is to be recouped?

Mr. McCUMBER. Yes, sir; and the bill also provides that the Secretary of Agriculture shall fix such charges for the inspection as in his opinion will meet the expense of this inspection.

Mr. BARTLETT. Who pays that?

Mr. McCUMBER. The shipper, the man who has charge of the grain, whether he is the agent or the consignee. Of course it is charged back to the producer. Finally the farmer pays for it.

The next thing I say about this bill is that the Secretary of Agriculture can go to Boston, New York, Philadelphia, Chicago, St. Louis, or Buffalo, and he can at least do just as well as, if he does not do any better in the inspection than, the boards or the warehouse commissions who operate in the States. The chances are that with men in his employment who are subject to a civil-service examination, and whose tenure in office will only be disastrously affected by their performing their duty, in the end we will get better inspection than we would under the present system.

The third proposition is that we will get the same kind of inspection and the same kind of grades, as near as is practicable, in all the different sections of the country. In other words, we will get a uniformity of grade. Grain coming from Minnesota or North Dakota or any great grain-growing section would receive the same standardization, whether it went to the Chicago markets or the Duluth markets or the Wisconsin markets, and there would be a great gain in that, and it would eliminate very many difficulties.

The next thing I claim for it, Mr. Chairman, is that the nefarious frauds—I can not designate them as anything else—that are being continually practiced upon the foreign consumer and purchaser will be to a great extent eliminated. This bill provides that the Secretary of Agriculture, through this inspection system, may inspect the grain as it goes out through any exporting place. It will not require as many certificates, really, of inspection as under the present system. Under the present system of inspection in carload lots, where it is sold by the carload and then shipped on, it would be inspected in each one of these inspection centers and shipped right on—each State would give it a separate inspection; whereas if we had national inspection, the certificate which was placed upon it at the first point of inspection which, of course, would not be the farm but at the first great terminal for inspecting grain, would follow that until it would be finally disposed of and it would stay there on that carload of grain until it was mixed with some other grain, and if it was taken into an elevator and mixed with other grain and shipped to some other place, it would be reinspected by the Department.

The CHAIRMAN. It was suggested here yesterday by some gentleman that the inspection at Duluth, say, would not be satisfactory because of the deterioration or the changes in grade that would occur—might occur—in the grain in transit to a port of departure. What would you say about that?

Mr. McCUMBER. No system of inspection can prevent grain from absorbing moisture or putting it off. That is true; it will change. But there is comparatively little complaint along that line. The great complaint is as to the mixing of a lower grade of grain and different characters of grain with a higher class of grain and grading

it improperly; and I will say that a carload of grain examined at Minneapolis or Chicago and then at Baltimore, in a wet season may be found to have changed; but if it has a certificate on it in Minneapolis that the public and all purchasers have confidence in, the fact that it will gather moisture will not deteriorate the grain very much, especially in this country, because it will put it off again when it is dry. It is the same grain and it has the same qualities, and passing through a dry belt it will get rid of its moisture and regain its old condition.

The CHAIRMAN. Is there sufficient difference in the current prices—the usual prices—of the higher grades and the lowest grades to make it remunerative to the mixer to cover the expense that must be incident to it?

Mr. McCUMBER. It makes it very remunerative, and if there is nothing more in it than the value of what we call the “spread” between the different grades to go on, the very fact that about all these mixers become millionaires within a very few years would raise a suspicion that there was some profit on it; and in the lower grades especially the spread is very great indeed. Between No. 3 and “no grade” and No. 4 and “no grade” there may be a 30-cent drop.

Right here I want to call the attention of the chairman to the investigation made by the Interstate Commerce Commission in 1906. They investigated the method of handling the grain by the railways, and in connection with that the combination of the railways, and their methods of destroying competition, and the facts that are given there are simply startling. I would give you the pages of the report, but I have not got it with me.

Mr. BARTLETT. This last report?

Mr. McCUMBER. Yes; of 1906, upon a resolution to investigate. This showed that it was the custom in loading their cars from the elevators to put in a little good grain and then to swing in a spout from the poorer grain, that which had been taken from the farmer as dockage—the screenings that had been taken out—and fill in a good many bushels of screenings in the center of the car, and then fill up the car with the higher grade. That was found to be quite customarily practiced along the railways through Iowa and Nebraska, as shown by the report of this Commission.

Mr. BARTLETT. That is about as bad as selling washed-over butter for real butter, is it not?

Mr. McCUMBER. Very much the same thing.

Mr. TOWNSEND. The opponents of this measure claimed that under their methods of inspection the purchaser had a remedy under the certificate issued, and he could secure or recover damages for a shipment of grain that was not in accordance with the inspection, and that under the proposed measure there would be no remedy for a wrong inspection. What do you say about that?

Mr. McCUMBER. I do not know any particular remedy that we might call a remedy under the present inspection. I understand that in certain cases or under certain circumstances in certain sections they have rules and regulations where there is a fraud practiced upon the person who is buying it for a specific purpose, and that in case of such fraud he can recover for damages, but under any character of inspection, if there was a fraud under the law to-day, he could recover.

Mr. BARTLETT. There was a statement made by Mr. Hamlin in respect to the rules and regulations of the board in Boston, I believe.

Mr. McCUMBER. That rule of law would apply anyway, if it was a known fraud, but grains in the United States are sold almost exclusively by the grade, and they pass from one to another until they get to the miller, and the miller may then discover the fraud that has been perpetrated; but ordinarily it has been found too expensive to bring those actions, and they are seldom brought. The foreign purchaser is the man who suffers the most, and as our prices are fixed by the foreign demand, the loss results back to the farmer.

Much of this testimony I have given is upon hearsay and upon the facts as they come to me from the trade, outside of what I get from the records themselves. I talked with a shipper from Kansas City, Kans., the other day. I think he will give a statement before you. He wanted to ship some grain to Europe, and he went to an exporter at New York and stated the complaints that had been made, and that he wanted to send some good grain there. To give you the whole story, he sent a sample to London of the grain that they produced out there. A cablegram came back asking him if he could get 100,000 bushels of that grain and guarantee that the foreign purchaser would secure the same kind. He replied that he could not guarantee that it would not be mixed with other grain, and would not be a different grain, when it would be shipped. He then went to the city of New York to ascertain what he could do. He saw one of the principal exporters there and told him that he had this good grain, and that there was a demand for the higher standard of the American product. The shipper advised him not to attempt to do that, saying that it was universally the practice to attempt to get the poorer grade off upon the foreign purchaser, and that if he tried to ship a few cargoes of the higher grade, he would establish a standard there that the country could not live up to, and he advised him not only that it could not be done, but that it ought not to be done for the benefit of the trade. We have similar testimony to that from others.

Mr. BARTLETT. Do not these States where these elevators are engaged in doing business provide for penalties and make it a crime for people to do what seems to have been done—to commit fraud by mixing grain and putting off on the public something that is not true?

Mr. McCUMBER. Here is the difference. It will not pay for him to go into court and maintain a separate action for each car. He would have to prove collusion between the shipper and the inspector. There is punishment, of course, for known fraud; but we do not punish all of the frauds, and especially we can not punish very well the fraud upon the foreign purchaser. The fraud operates at the other end, where he buys.

Mr. BARTLETT. I know that it has sometimes happened that cotton is shipped to England, is shipped abroad, and the reports come back that the cotton is falsely packed, that it has something in it that ought not to be in it, and demand is made from the seller from whom the cotton is bought, and of course he has a record of it, and he recovers from the farmer. We have a penalty for the false packing of cotton.

Mr. McCUMBER. I do not know how that is. I was talking with one of the southern Senators, and he thought that a law of this kind might be very profitably employed in his State. He said that they

simply had to accept the grades at the terminal markets, no matter how they were cut down at the terminal markets.

Mr. BARTLETT. I think the complaint against the grade was on account of the grading of the cotton in New York.

Mr. McCUMBER. Possibly.

Mr. BARTLETT. Yes.

Mr. McCUMBER. And whatever the grade in New York would be would finally have to be the grade back at the point of initiation.

Mr. TOWNSEND. Some of the gentlemen who testified here yesterday, importers, or talking of the importing business, claimed that the American trade had not suffered from false dealing or inspection, or anything of the kind, and that at times our market had been higher than the Liverpool market, and that the reason there was complaint made at any of our ports, especially the southern ports, was that from Argentina they sold their grain on what is called rye terms, and that that had led to the ruin of many of the Argentina shippers, and that our exporters were not willing to comply with the terms of the foreign importer who wanted us to guarantee the condition of our grain on arrival.

Mr. McCUMBER. There were, I understood, a couple of letters from foreign importers introduced yesterday by Mr. Gronna. I do not know whether they were read.

Mr. BARTLETT. Yes, they were.

Mr. McCUMBER. I think possibly that answers the question. I have had other reports from proceedings in Berlin and from Liverpool—I have not them before me—in which they call attention, as I remember, to grains becoming damaged in course of transit; but that was not the principal complaint. That is often the case with corn; but there is very little trouble ordinarily with wheat. The complaint is that the grades do not measure up to the certification, either in quality or in kind. For instance, the complaint is that wheat sold as No. 1 red may have two or three different kinds of grain in it; it may have old grain, wormy grain, and poor stuff put into it. Our consular reports also agree with the statements that are made by the foreign importers, and the complaint, as I say, is not so much against the deterioration in transit as it is against the inferiority of the grain as measured by the standard of certification.

Mr. ESCH. It was alleged by some gentleman representing the foreign exporters that the American shipper could not afford to deceive the foreign purchaser, because that would destroy the market.

Mr. McCUMBER. It destroys the value. There will always be a market for all kinds of grain, at some value. They will still ship American wheat there, but it will be sold upon its merits for what it is, rather than upon its certified grade; and as I say, it gives an excuse for the middleman, or terminal man, the man who buys at the terminal elevators and then exports. He will only give, say, a No. 2 or 3 northern price for No. 1 northern grain. But he will receive a No. 1 northern price for it, and then he may also ship some poorer stuff and have it inspected as No. 1 northern, but in either instance it will only receive a price, as compared with the No. 1 from Argentina, of 5 to 10 cents lower; and therefore our No. 1 grain, having its price fixed by that imposition upon the foreigner, gives us No. 2 or No. 3 price for a No. 1 grain. Do I make myself clear?

Mr. BARTLETT. Yes, sir; I understand it. It is just like it is with our cotton. We have good middling, low middling, and dog tail. The highest is the good middling, and it is graded down.

Mr. McCUMBER. I do not think of anything more unless there is some question on a proposition of law; but you are almost all lawyers here, and I do not think there is any use of my giving an opinion on anything of that kind, or on anything that the testimony has brought out.

Mr. ESCH. I think there was a legal proposition made yesterday, that the bill specified about a dozen ports of examination, or centers, in ten States, and therefore the law would be operative in only those ten States, and would not be operative in the rest, and hence would not be legal because it would not be operative throughout the country. That was suggested by Mr. Hamlin.

Mr. McCUMBER. I can only say that that appears to me to be specious.

Mr. BARTLETT. There is another question that will be suggested, if it has not been already, that the Constitution provides that you shall not put any duty or penalty upon exports, but that provision in the Constitution does not prevent the States from passing what they may deem necessary inspection laws. Have you thought about that?

Mr. McCUMBER. I think there is nothing to prevent the Government from exercising what might be called police powers, so far as those powers are necessary to regulate a matter that is wholly within their jurisdiction.

Mr. BARTLETT. You mean the Government of the United States?

Mr. McCUMBER. Yes. I think the Government of the United States can just the same as it can in the inspection of meat; and so it may require in the importation of goods or the exportation of goods, a mere charge sufficient to cover the inspection, which is carrying out its own powers.

Mr. BARTLETT. You would find a little difficulty in getting a good many people to agree to that, and I think the decision of the Supreme Court holds that the United States has not any police power in the States.

Mr. McCUMBER. I stated a power similar to a police power.

Mr. BARTLETT. They would have it under the power to regulate commerce.

Mr. McCUMBER. Which would be called the police power in the States. I do not say it would be a police power, but of a similar nature, but applied to the particular condition. For instance, Congress may provide certain rules and regulations governing the shipment of nitroglycerine.

Mr. BARTLETT. That is under the commerce power, not police power.

Mr. McCUMBER. Yes; but I say under a Federal power, under the power that it has, it may provide for anything that is necessary to regulate interstate commerce, and may provide for the exercise of powers that in their nature would partake of a police power, but as they relate only to the functions, the powers that are granted to the Government in carrying out a given power, or incidental to it, as I understand, they would be legal.

Mr. BARTLETT. As I understand, the Supreme Court of the United States has held that the United States did not have any police power in the States.

Mr. McCUMBER. Not in the sense in which we use that term.

Mr. BARTLETT. Yes.

Mr. McCUMBER. That I agree with the gentleman on. Is there any other question, Mr. Chairman?

The CHAIRMAN. Apparently, not, Senator.

ESTIMATES.

Baltimore, Md.....	\$30,000
Boston, Mass.....	20,000
Buffalo, N. Y.....	20,000
Cincinnati, Ohio.....	25,000
Chicago, Ill.....	100,000
Cairo, Ill.....	5,000
Decatur, Ill.....	5,000
Detroit, Mich.....	15,000
Duluth-Superior.....	50,000
Fort Worth, Tex.....	10,000
Galveston, Tex.....	20,000
Indianapolis, Ind.....	10,000
Kankakee, Ill.....	5,000
Kansas City, Mo.....	40,000
Louisville, Ky.....	5,000
Milwaukee, Wis.....	25,000
Memphis, Tenn.....	15,000
Minneapolis, Minn.....	75,000
Mobile, Ala.....	5,000
New York, N. Y.....	50,000
New Orleans, La.....	25,000
Nashville, Tenn.....	10,000
Norfolk and Newport News, Va.....	10,000
Omaha, Nebr.....	15,000
Pittsburg, Pa.....	10,000
Peoria, Ill.....	20,000
Portland, Me.....	5,000
Philadelphia, Pa.....	25,000
Port Arthur, Tex.....	5,000
San Francisco, Cal.....	15,000
St. Louis, Mo., and East St. Louis, Ill.....	25,000
Toledo, Ohio.....	15,000
Washington and Oregon.....	25,000
Wichita, Kans.....	10,000
	<hr/>
20 grain testing laboratories.....	745,000
Scientific assistants.....	100,000
	<hr/>
Total.....	820,000
Number of men, 650.	

STATEMENT OF REPRESENTATIVE MARSHALL BEFORE HOUSE COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE.

I am not a lawyer, and shall not, therefore, undertake to discuss the legal propositions embraced in this bill, and I have left it to others who have the bill in charge to supply the data and figures to make it perfectly clear that under the existing conditions surrounding the inspection of grain the farmers, the home millers, and the country at large are suffering severe losses.

The figures that have been submitted to you lay a sufficient foundation for the general statement which I am about to make.

Discussion of this bill may disclose defects as to details, but that there should be national legislation on this subject, provided, of course, it is within the province of Congress, there is no question in my mind.

The question of grain grading is of much broader significance than at first appears. It involves naturally, first, the question of giving to the producer a grade and a consequent money value equal to the intrinsic value of the product. Having produced it, he is entitled to all the value there is in the raw material, and in order that he may receive this there should be secured for him the same grade and consequent value at which the miller buys it, less the ordinary freight charges, reasonable expenses for handling and cleaning, and a reasonable profit for the middleman. That he does not get that now I think few will undertake to deny, and the losses resulting from this condition fall directly on the farmer, and on him alone.

But this proposed legislation involves a question of very much broader significance, and carries with a very much more weighty reason why Congress should act.

I think it is generally agreed that the price of grain in this country, particularly of wheat, is controlled largely by foreign markets, and that anything that would tend to give us a better and more stable price, and broader market abroad, would naturally give us a better price at home.

I believe it will be clearly shown that under the present system of grain inspection our wheat is so manipulated that it is more or less discredited in foreign markets, and looked upon with more or less suspicion. In all other lines of industry the seller relies upon the high quality of his goods, and depends upon its high quality to maintain himself in the markets. The final marketing of grain is an exception to this rule. Instead of giving the buyer a high-grade article that will inspire confidence, and result in increased orders and the broadening of the market, the whole system is to give him the least possible for his money, and the lowest quality that can be forced upon him. The grades of wheat that go from our big elevators to our local mills and aboard our ships for foreign markets are what are known as "skin grades"—short of what the buyer has a right to expect, and in this condition our grain goes to the foreign market in competition with the grain of other countries, and naturally we are able to sell grain in those markets only when there is a shortage in the other countries. This "skin grade" is brought about naturally enough, because the terminal elevator companies are permitted to receive grain under State inspection, mix it, and by the same system it is inspected out of the elevator at a higher grade. It is exactly the same wheat, kernel for kernel, that went into the elevator, it being impossible for them to change the nature of a single kernel of it, any further than to clean it, possibly changing its color a trifle, and brightening it up. For this service they are, of course, entitled to proper remuneration, but it is clearly impossible for an elevator company when milling value is taken into consideration to take in a quantity of dry wheat and turn out 3 or 4 bushels of a high grade at the delivery spout for every 2 bushels of that grade taken in at the receiving spout.

The farmer suffers from this process, and it may be said that competition would relieve this situation somewhat, but this same competition leads these people to foist upon the buyer the poorest article

that can be forced upon him—a process by which the farmer loses, the general public suffers, and the elevator men discredit their own business—for an elevator man has as much interest as anyone in developing the industry of grain growing in this country, and such development can only be brought about when we do everything in our power to encourage the foreign buyer by going into the foreign market with a prime article, fully up to what it ought to be, and maintaining the standard at all times.

It is simple folly to go into competition in foreign markets with our wheat graded down to the very lowest notch. The farmer has no right to expect and he does not expect any higher grade for his grain than its intrinsic milling value, and whatever that grade and value may be should be maintained in the ultimate market.

The question of wheat grading is now more or less guess work. It should be as nearly as possible a chemical and physical process—a question of weighing and laboratory testing and it will, in the course of time, be reduced to an exact basis; the question of guessing and speculation as to its value and intrinsic qualities will be eliminated.

The manner of handling dockage of wheat is also very faulty. Flax, for instance, is sampled by the buyer, and the samples cleaned and the exact dockage is found by weighing. Some such system could prevail in the grading of wheat and other grains. Instead of that, the buyer guesses at the grade and generally at the dockage. He sizes up his man and docks accordingly, and is very apt to add one-half cent to the price, and take an extra pound for dockage.

This system will never be corrected, however, under State inspection. It is too rich a source of profit to the elevator people, and against the railroad and the elevator people combined, the common people can not prevail.

Farmers are not only subjected to irregular and unjust dockage, but they are compelled to pay freight on it to the terminal market, and make a present of it to the buyer. The farmers are discouraged from cleaning their wheat at home by the practice of docking it anyway, no matter if it has been cleaned. I never knew wheat to be so thoroughly cleaned at home, but what it would be docked at least one-half pound to the bushel, provided the buyer paid the full price for it in the market.

The whole question resolves itself into this—the producer should have the same grade and weight for his wheat that it is sold for in the final market, with due allowance for transportation on it and a reasonable profit and charges for handling. The grain should be delivered to the domestic and foreign miller, always fully up to the quality prescribed by the rules, so that he would be a keen bidder for it in the market, resting under the assurance that he is getting exactly what he paid for.

Under these conditions the industry in this country would be greatly stimulated. The volume of our export trade would be largely increased if our grain on the market were fully on a par in quality with other grains of the world. In this way every man engaged in the industry, from the farmer up, would get his just due and full proportion of the legitimate profits coming to him. No man would be harmed and everyone would be benefited.

I was chairman of a joint committee of our legislature in 1899 to investigate the question of grain grading; that committee spent two

weeks in industrious research in Minneapolis and Duluth, and representing the State, as we did, every possible facility was placed at our disposal. At the end of that time the committee agreed unanimously that the true solution is Government inspection. Instances were brought to our notice of "skin-grade" wheat shipped to foreign ports, received and paid for under protest, but not another bushel of wheat had been shipped to those ports after that time. The man who sold the grain said voluntarily that it was because the grade was not what it should be. I quote briefly from our report:

The interests involved in the inspection of grain in the United States, or for that matter in any considerable portion of it, are altogether too great to be subject to the influence of local State politicians. The existence of a large number of complicated systems of inspection do not, we believe, result in any additional good to the grain raisers and shippers, or anyone else concerned, but on the contrary, lead to dangerous manipulations of grain in large quantities, and dishonest, unhealthy speculative deals which can not but discredit and cripple the trade. The following concise statement of the case meets the views of your committee.

The right of the people in every State to be heard in the matter of the inspection of grain can not be disputed. It seems imperative that inspection be done at lake or tide-river points. Neither the large elevators, railway and vessel interests, or the interior agricultural interests should be interrupted or be subject to interruption by State politicians or by the local ambitions of vessel-port cities.

Provide Federal inspection under the Secretary of Agriculture by districts, with district for Lake Superior, Lake Michigan, North Atlantic, South Atlantic, Gulf, North Pacific, South Pacific, and such others as are necessary, all under civil-service rules, which should provide that applicants for inspector must have not less than five years' experience as buyer of grains, and also pass an examination by satisfactorily grading a large number of samples. The grades may be continued as now, but accepted by Federal officials. This plan would give all interested the right to a hearing and would increase our foreign trade under an unchanging and reliable inspection.

We would like to add to this that we believe that in connection with the inspection department in each district there should be one or more men of sufficient scientific education to test wheat in a chemical and mechanical way in order to ascertain its milling quality as shown by component parts of gluten, starch, etc., and its shades of color, and such scientific and mechanical tests to be as frequently resorted to as possible, in order that wheat grading may become more and more a mechanical process and less and less a question of human judgment. We believe that the results of Federal inspection, as outlined above, would be manifold. The character of our product, as represented by the certificates, would have the backing of the United States behind them, and the certificates would be accepted all over the world as readily as our currency, and the trade-mark on the product of the North Dakota farmer would be U. S. With Federal inspection you have removed the last barrier between our producer and the world's markets, and we could feel assured that should he sell a car of dry and marketable grain he will get the same grade for it at which it is sold to the consumer. When this result is attained the question of marketing grain will be wonderfully simplified and the spread between the producer and the consumer reduced to the lowest point.

The chief results of the work of our legislative committee was to bring about the change of the Minnesota law, which provided for the establishment of appeal boards at Duluth and Minneapolis. This was a great step forward and afforded considerable relief to men who ship direct to terminal markets, and resulted in a great saving of time, demurrage, and expense of appeal; but I do not take it that these boards are any material aid to the farmer who sells his grain at his local elevator or to the buyer who pays for the grade given it when it leaves the terminal elevator. These boards do not do much, if anything, toward wiping out the illegitimate spread in grades, growing out of the mixing and manipulation of grain in terminal elevators.

There will never be any improvement of conditions under State inspection. We have no reason to anticipate that conditions will

be any better in ten years from now than they are to-day, and the only solution of the question, to my mind, is Government inspection.

Under a system where the elevator people are permitted to "make" wheat, so to speak, there can be no improvement, and our products will stand discredited in the eyes of the foreign wheat buyer.

Under a system where the buyer gets as much in quality for the money he pays as the seller gives for the money he receives, confidence will be restored, and the grain industry put upon an honest and a sound and prosperous basis. I believe this is hopeless under State inspection and entirely possible under Government inspection.

Such knowledge as I have leads me to believe that the Minnesota State inspection is far better than commercial inspection, and in the same way, and in a very much larger degree, national inspection would be better than State inspection.

In conclusion, I do not want to find special fault with the elevator people or the grain buyer—in fact, I am a grain buyer myself, in a small way. The great fault is with the system. Grain buyers and elevator people doubtless do the same as others would under like conditions. The conditions are all wrong, and I do not believe that the grain buyers always know what is best for them, any more than the railroads always know what is best for them. Their prosperity depends upon the prosperity of every one else, the same as yours and mine. What they want and what we want is the greatest good for all; they are married to the present system, and it is hard for them to break away, but with Government inspection once well under way they will be largely benefited in the same way the meat packers have been benefited, and they will be glad the change was made. Under Government inspection right will prevail all the way down the line from the farmer to the miller. Each will have made secure to him what belongs to him, no more—no less.



HEARINGS

BEFORE THE

COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE
OF THE HOUSE OF REPRESENTATIVES

ON

H. R. 6293, 6294, AND 14770

PROVIDING FOR THE INSPECTION
AND GRADING OF GRAIN

v. 2

STATEMENT OF
MR. DUDLEY, MR. RUSSELL,
MR. STAPLES, AND MR. HALL

v. 2

WASHINGTON
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FEDERAL INSPECTION OF GRAIN.

COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
Tuesday, March 3, 1908.

Committee called to order at 10.35 a. m., Hon. W. P. Hepburn in the chair.

STATEMENT OF HON. W. W. DUDLEY, REPRESENTING THE PHILADELPHIA AND READING RAILROAD COMPANY.

Mr. DUDLEY. Mr. Chairman, I would ask the attention of the committee for a few moments only to a feature of this bill, or of these bills, which I have heard nothing about, and which I think your committee has heard nothing about; that is, considered from the railroad standpoint. In Senator McCumber's bill, section 8, in your bill, H. R. 6293, section 8, in H. R. 6294, section 11, and in H. R. 14770, section 9, there are provisions which affect the railroads of the country to a considerable extent. I am not advised that the railroad companies—and I especially represent the Philadelphia and Reading Railroad Company here at this hearing—desire that any opposition be made to the bill upon its merits, as to the main object of the bill, but they do wish to call attention to some of the difficulties which will arise upon an application of these sections in these bills, and I do not assume the necessary knowledge to speak on that myself, but have asked the assistant freight agent of our company, Mr. Russell, to come here and speak to you very briefly as to some of the troubles that may arise from an attempt to enforce those sections of that bill, and I have nothing further to say, myself, on the subject, but will introduce Mr. Russell.

STATEMENT OF MR. R. L. RUSSELL, ASSISTANT GENERAL FREIGHT AGENT OF THE PHILADELPHIA AND READING RAILROAD COMPANY.

Mr. RUSSELL. Mr. Chairman, I did not know that I should have the pleasure of speaking before you on this subject until this morning, and I have not prepared any argument. What I have to say, however, has reference solely to the provisions of these different bills that relate to the duties of the common carriers thereunder, and as I recall the bills, they all have some provision which requires the railroad companies to hold these cars at destination until they have been inspected and passed upon by this Government inspector. Since listening to Senator McCumber's remarks here, I gather that it is the intention only to have this inspection govern at the places, in brief, where it now governs, between the principal cities, although these bills are not worded in that way, and they do provide for the inspection of all grain in interstate commerce, and some of them bear a provision that if they are not inspected at destination they can be

inspected at the point of shipment. The whole interest, so far as the railroad company is concerned, is that if you gentlemen in your wisdom think this bill is a proper one to pass, that it be so framed that there be no feature about it that is going to delay our cars, or render the working out of this provision impracticable.

For example, if all the grain in interstate commerce is going to be inspected and the cars held for this inspection, you can readily see what it would mean to grain going to country points. There is no inspector located there, and some of those places he could not reach within twenty-four or forty-eight hours, and meantime the cars would have to be detained. I do not think that is what you gentlemen intended, but I do say that those bills are susceptible of that interpretation, and I want to call your attention to that so that in framing these bills up finally, if you decide to pass the bill, the delay of the cars will not be rendered necessary thereunder. It is very embarrassing to have any delays of cars; and it would be against public policy, as I look at it, to have any legislation that would tend to delay these shipments. In one of these bills it is said that a shipment going merely from one State to another may be inspected at point of shipment or in transit. The duty is upon the railroad there, however, to see that it is not loaded until it is inspected. Take simply one instance illustrative of hundreds of them. A carload of grain may be loaded at Culpeper, Va., going to Laurel, Md. It is a carload of corn that a man has bought for his own use, and he does not care anything about the inspection of it, and he is going to turn it back unless it suits him, anyway. I do not see how you are going to provide for the inspection of that car. You would delay it if you held it at Alexandria.

But I see from the remarks to-day that you expect to get this thing down to finally cover only the inspecting of grain at the places where it is now inspected under the general rules and regulations. The bill also covers all kinds of grain, or practically all kinds of grain, and does not make sufficient exceptions, it seems to me, to cover a great many things that are not for inspection at all. A man might have a lot of flaxseed going down to his place to make oilcloth out of, and he does not care anything about the inspection of that; and unless the bill is very carefully worded you are going to find that there are a great many things the inspection of which is provided for that it is absolutely not necessary to inspect, and you are going to hold up these cars at destination, and it simply delays the cars and imposes a duty upon the railroads in connection with this provision that I want to speak about briefly.

In a general way I want to take the liberty of saying that we do not see, from a railroad standpoint, why you gentlemen wish to bring the railroad companies into this proposition at all. We are transporters of grain just the same as we are of coal and cotton, and we are not interested in the matter as to whether the grain grades No. 1 or No. 2, any more than we are with a carload of building material that a man ships from somewhere down in Louisiana. He may call it "white pine, No. 1," or "1-inch," or something like that, and it goes up to Philadelphia, and the man there says, "That is not the kind of lumber I bought." We are not interested, as carriers, in the disputes on these matters. They are commercial propositions, and we think that this grain inspection business is wholly a commercial

proposition, and that it should, and in our opinion can, be regulated without imposing any duties upon the railroad companies to see that this property is inspected. You will bear in mind that our agents are scattered over the country at various places, and they do not know whether this grain has been inspected or not. We do not see any provision in this bill so that our agent at the destination will know whether the grain has been inspected at the point of shipment; there is no provision of that kind, and it will be a very difficult matter for him to trace all of these things out.

I appreciate that you would like to hear somebody else speak on this, but I merely want to present the railroad's side of this, and ask you that in framing up this legislation, should you decide to pass this bill for Federal inspection, that you try and get the provisions so that it will not be necessary for the railroad companies to hold these cars at destination for the inspection, or to impose a duty and penalty upon the railroad company to see that they are inspected or have been inspected. We think that that is entirely, as I say, a commercial proposition. We now have this meat-inspection act, the laws governing live stock, and all those impose duties upon the railroad companies, and they have got to look to these things, and we appreciate that those are measures that have a general good behind them. We all want pure meat, and so forth. The general public is advantaged by those bills. But here is purely a commercial proposition. A man wants to know whether he has got the right kind or grade of corn, whether the No. 1 grades the same at New York as it does at Portland, for instance, and it is simply with respect to one line of business, and we would respectfully ask, on behalf of the railroad companies, that we be eliminated from the provisions of this bill. That is all I care to ask.

STATEMENT OF MR. C. F. STAPLES.

MR. STAPLES. Mr. Chairman and gentlemen, I can not possibly, without consuming quite a little time, cover this subject, and I will have to ask the indulgence of the committee. It must be perfectly apparent to this committee that this bill practically is an attack upon the Minnesota inspection, and involves little else. In other words, there is little support to the bill from any other section, from those who may be concerned, in a way, in the Minnesota inspection, and the fact that Minnesota is an important State in this particular might be evidenced from the fact that in our department the combined inspections in and out amount to nearly 400,000,000 bushels a year. Our local manufacturers of flour in the State of Minnesota annually consume almost 125,000,000 bushels of wheat. That ought to be evidence that we are interested in a local sense in the inspection of grain.

I want to say at the outset that I am a farmer, have been all my life, and live to-day upon the farm upon which I was born. My sympathies are with the farmer in this matter, and my position here will be to support the present system of inspection. I want to say further that while I am a member of the railroad and warehouse commission, which has charge of this very important work, should it be taken from us it would only relieve us of one of the very important duties we have to perform, so that my tenure of office is not affected.

The Minnesota grain inspection and weighing system was established by an act of the legislature in 1885. This legislation was enacted at the request and on the demand of the wheat raisers of the State, wheat being at that time the staple if not almost the entire product in many of the grain-growing counties of the State. State inspection and State weighing were established for the purpose of supplanting a system of commercial inspection and weighing that had been established by the commercial bodies of Minneapolis and Duluth prior to that time, and which experience demonstrated to be unsatisfactory, and therefore unsuccessful. And I wish to say here, Mr. Chairman and gentlemen, in order that you may understand me as I go along, that our commission is elected, and is not dominated by the market or any other influence, and we are responsible to the people.

While I have with me a gentleman who is the president of a large organization of farmers in the State of Minnesota, who will represent the farmers, I am sure that I can say that within the State of Minnesota there is practically no opposition to the present inspection. More than that, there is serious opposition to this measure, and in order to make myself clear, Mr. Chairman and gentlemen, there is nothing for me to do but to give a history of the inspection in the State of Minnesota, to bring out some points which I am sure the discussion has left very much covered by doubt, as I have heard them here for two or three days.

The CHAIRMAN. You say it will take you a long time. How much time do you think it will take?

Mr. STAPLES. It will not take me long, if I am permitted to proceed rapidly, as I will file statements bearing out what I present, and I will be glad to answer any questions that members of the committee see fit to ask me.

The appointment of a chief inspector to supervise the inspection and weighing under this system was put into the hands of the railroad and warehouse commission, consisting of three members. The chief inspector of grain was authorized to appoint, by and with the consent of the commission, such additional chief deputy inspectors and other inspectors as were required to properly perform the service according to the nonpartisan spirit of this act and taking into consideration solely the competency and honesty of the applicant. All inspectors are placed under \$5,000 bonds. Following this rule established by the law itself, the commission and its chief inspector proceeded to inaugurate the service in May, 1885, by appointing to these positions men who had had many years of experience as commercial inspectors and weighers, and there are to-day in the employ of the grain-inspection department of Minnesota men who were appointed at the very inception of the system in 1885 and who have served continuously in that capacity.

In January, 1901, the commission proceeded to establish a system of practical civil-service reform which was to govern and obtain in the administration of the inspection and weighing departments. There was no law which made such action obligatory on the part of the commission, but they felt that public policy and a proper and faithful observance of the grain-inspection laws required above all absolute competency, experience, and faithfulness in the discharge of this business, which involved the welfare of so many producers. Acting on this rule, they proceeded to the organization of the depart-

ment and since that time they have assiduously adhered to the rule, and there is to-day not a man engaged in the official inspection of grain in the State of Minnesota who has not had from seven to twenty-three years' experience with the inspection department, and most of these men had a great deal of experience in the raising or handling of grain previous to their appointment to the service. They came from all parts of the State, and there are at this time two men employed as inspectors who were formerly residents of the State of North Dakota. In the matter of previous employment or vocation, it appears that over 80 per cent formerly followed agricultural pursuits or were engaged in the purchase and handling of grain at local markets throughout the State.

As far as experience is concerned it would be difficult to conceive of a class of men in any business who had seen more actual experience in the line of work in which they are engaged.

With a view of promoting ambition and being in readiness at all times to fill a vacancy caused by the resignation of an experienced inspector, it is the rule of the commission to move up the next best qualified man, thus again insuring the application of a practical and operative civil service.

Examinations are held from time to time under the supervision of the chief inspector, of men having had previous experience in the department who desire to qualify for the more important duties of inspectors of grain. These examinations are conducted by permitting the applicant to make inspection subject to final inspection by one of the regular inspectors.

I think I should explain that the way that is done is this: These applicants to be examined take the samples of grain that are given them and which are numbered, and they make a practical inspection, they make their record, and keep a copy in their own notebook and file a copy with the commission, and they may keep that up for two weeks. They are on the pay roll all the time as helpers. They have an examination in the office, and the percentages are rated. These examinations occur twice a year, and the man who stands the highest is appointed, and no man whose average is below 85 or 90 per cent is permitted to take the examination again until he qualifies himself better. Any candidate whose standing in these examinations falls below 85 per cent is considered ineligible. The standing of the regular inspectors averages about 95.8 per cent—that is to say, their inspection and dockage is final and correct in 95.8 per cent out of every 100 cars inspected. The 4.2 per cent involve changes in the grade and also in the dockage, the latter sometimes being as slight as one-half pound. In 1899 the legislature of Minnesota passed an act providing for a board of grain appeals consisting of six members, three of which were to be stationed at Minneapolis and three at Duluth. This board was to be appointed by the governor of the State and not more than four out of the six members could belong to any one political party.

Now, to show the nonpartisan feature of this department, I may say that the governor for the past four years has been a Democrat, and our board is a Republican board. We have absolutely no politics in this board. This board is the final arbiter in all cases, and we have no relation with it whatever. Furthermore, this board has authority

to dismiss any incompetent inspector in our department under the law.

Mr. RYAN. Was the present law approved by Governor Johnson?

Mr. STAPLES. Yes, sir.

Mr. BARTLETT. You are speaking of the board of appeals?

Mr. STAPLES. Yes, sir.

This board, as the name implies, stands as a tribunal, an appeal to which might be taken in case of dissatisfaction on the part of the shipper or buyer, as the case might be, as to the judgment of the inspectors in determining the grade and dockage of the grain in question. This appeal board is in no way responsible for its appointment to the railroad and warehouse commissions, who appoint the chief inspector of grain. They are two distinctly separate boards, but the final adjustment of disputed claims lies with the board of appeals. The board of appeals also establishes the grades. The nonpartisan character of this board has been stoutly maintained ever since the enactment of this law. Not only has this fact been recognized, but locality and vocation have also governed in their selection. The present board of appeals, for instance, consists of six men whose original vocations had been farming and who later were engaged in the purchase or handling of grain at local points, bringing with them an abundance of experience and insuring to the producer and buyer alike competent judgment and fairness in the discharge of their duties.

In view of all these facts relating to the laws themselves and the policy inaugurated and established, particularly since 1899, the charge can not lie that the Minnesota grain inspection system is conducted on partisan lines and for the purpose of fulfilling and carrying out political obligations.

The CHAIRMAN. I do not understand that any charge of that kind has been made, and I do not think it is a matter of interest to the committee.

Mr. STAPLES. Senator McCumber charges that the chief inspector is controlled by the elevators.

Mr. RICHARDSON. Yes; he made that charge.

Mr. TOWNSEND. Did not I understand correctly that the chief inspector was elected by the people?

Mr. STEVENS. No, sir; the board is elected by the people.

Mr. STAPLES. On the contrary, it can be stated, and stated without fear of successful contradiction, that there is no better system involving the employment of so many men in existence in this country to-day, and none that is so free from political manipulation as the grain-inspection system of the State of Minnesota.

The commission has made it a policy to raise the standard of service in this department to the very highest degree of efficiency, and I believe that in this they have fully and thoroughly succeeded.

It is a matter of common belief to-day of men engaged in and conversant with the grain business in the States surrounding the State of Minnesota that, were Federal inspection to take the place of State and commercial inspection, the Minnesota system would be the model patterned after.

Senate bill 382, the bill under discussion, provides, under section 2, that the Secretary of Agriculture shall appoint, in accordance with the rules of civil service, a certain number of inspectors. Under civil-

service rules as provided for in this bill, no doubt, is meant the usual course of civil-service examination under which, for instance, the handwriting, or the grammar, or the geographical, or perhaps even the astronomical knowledge of the applicant might govern in passing the required examination. If this is intended to be the rule governing the employment of Federal grain inspectors, it will most certainly prove an absolute and dismal failure. The grading of grain can not be learned in grammar schools, or high schools, or even in universities. To become a competent inspector of grain will require actual experience, and not only actual experience, but an abundance of good individual judgment, and many of our men fail utterly and never pass the examination.

Mr. ESCH. Would not the Government probably pursue the same policy in appointing the inspectors of grain as it has pursued in the past years in appointing meat inspectors?

Mr. STAPLES. I should hope so.

Mr. TOWNSEND. Now, I want to ask again, so that there will be no mistake in my mind about it; how is your chief inspector appointed?

Mr. STAPLES. By the board of railroad and warehouse commissioners.

Mr. TOWNSEND. That is what I understood.

Mr. STAPLES. And not by the domination of any grain men.

Mr. RYAN. And they are elected—this board—by the people?

Mr. STAPLES. Yes, sir.

The inspection of grain has as yet not developed into one of mathematical calculation, and it never will. In the future as in the past it will require, in addition to the weight of the grain inspected, which is an important factor in determining its grade, the judgment of the inspector as to its color and condition, including its value for milling purposes. Machines have been invented to ascertain the amount of moisture. The use of these is not always practicable and feasible. It may be and is argued that all inspection should be made on a chemical basis. Theoretically this may appear as practicable and feasible. In practical operation it will prove a failure, and for the very simple reason that it will be altogether too tedious and slow. If the grade of all grain delivered and inspected at the Minneapolis and Duluth terminal markets was to be established on a chemical basis and by a chemical test, it would require an army of inspectors to perform this work, as well as many times the time now consumed.

The northwestern part of this country annually experiences at the time of the heavy grain movement a car famine such as greatly and disastrously interferes with the grain trade. It is therefore absolutely necessary that any incoming cars of grain be inspected and unloaded as rapidly as possible, and the Minnesota inspection system has adapted itself to this condition of affairs. In order to expedite the inspection and disposal of all cars upon their arrival we have samplers at interior division points to sample the cars and send the samples so obtained by express to the inspection office where the car from which they are taken is destined. Thus it is quite the rule that an inspection is obtained for a certain car of grain before the same has arrived at the terminal. This means a speedy unloading of the car and the return of same to the grain shipping points for further shipments.

Mr. STEVENS. Then that instance that Senator McCumber spoke about, where 200 cars of grain were inspected in a day, was not under your system at all?

Mr. STAPLES. No, sir. I will give the number of inspectors, and so forth, later on. It has been found that this rule, which is a comparatively new one, being inaugurated in 1906, is a good one and tends to expedite business.

With the inauguration of this sampling system at inferior points also came about the complete elimination of outside or car-door inspection. All inspections are now made in the office subject to immediate reinspection and appeal to the board of grain appeals. A new sample will be obtained after the car in question has arrived, for reinspection and appeal, if asked for by an interested party, something which seldom happens.

Every safeguard that can protect the producer and buyer alike, and every device to expedite the handling and inspection of grain that experience has taught to be necessary, have been put in force.

While the Minnesota inspection and weighing system was primarily inaugurated at the request of and for the protection of the grain producers of our State, it has not been and can not be without consequence as to the neighboring States whose terminal markets are located in Minnesota. This applies in particular to the States of North and South Dakota, Iowa, Nebraska, Kansas, etc. The same law and the same rules apply; in fact, the entire system applies to the grain that comes from these States with the same force and effect as it does to grain coming from any part of the State of Minnesota. The farmer of the State of North Dakota gets the same deal when shipping his grain to the terminal markets of our State as the farmer from Minnesota or from South Dakota. It would be manifestly impossible to make a discrimination on geographical lines; as a matter of fact the inspector or reinspectors or the board of appeal, as the case may be, do not know whose grain they are inspecting or where it comes from. They must pass singly and solely upon the merits of the grain before them. The inspector conducting the reinspection is not aware of the original inspection, nor is the board of appeals, who finally pass upon the sample of grain in question, aware of what either the original or the reinspection was. Each one has to act on his own knowledge and responsibility.

Another rule which I desire to call to the attention of this committee as establishing, at least in my judgment, the absolute completeness of our department, is this, that in all cases of doubt as to the proper grade of grain the benefit of the doubt is given to the shipper. While we aim to be absolutely impartial, we find that there are many cases where grain is about on a line between one grade and another, and in such instances the benefit is given to the shipper, for the reason that the buyer has his remedy, namely, of asking for reinspection and for an appeal to the appeal board if he should feel aggrieved at the original inspection. Here again we must flatly and emphatically contradict the statement that has been made from time to time as an argument for the passage of a bill for Federal inspection that the Minnesota inspection and other inspections are always against the producer.

In the matter of uniform grades, a matter of vital importance affecting the grain producing localities tributary to the terminal

markets of Minnesota, I have this to say, that we strive for the most absolute and perfect uniformity in grading of grain that human experience can establish. Minnesota grades were established by virtue of the law of 1885, and have been maintained up to the present time with only a loss of one pound in the required weight of a bushel of wheat and that of a pound in a bushel of oats since that date.

I might say here, in answer to questions raised this morning, that it can not be disputed that the grades of grain in the Northwest have deteriorated in past years and are constantly going down and those conditions are met. The grades, however, are absolutely reliable. While No. 1 hard wheat is not what it was twenty years ago, there is no question that No. 1 hard wheat under the rules will be No. 1 hard wheat; but the rules are not quite as stiff as they were twenty years ago.

It was the desire of the commission which established the Minnesota grades in 1885 to establish a grade that would make the Minnesota and northwestern wheat the standard of grading, not only for this country, but for the export business to foreign countries, and this has become the settled policy of the several commissions who annually have established the grades, and of the appeal board which is now charged with this duty, since 1899, and it is a well-known fact to men engaged in the raising and handling of grain that no grades are of a more uniform standard to-day than the Minnesota grades.

THE CHAIRMAN. Are the grades the same as they were twenty years ago?

MR. STAPLES. The grades are the same, Mr. Chairman.

THE CHAIRMAN. You have got No. 1, but does the No. 1 of to-day indicate the same class of wheat that the No. 1 of twenty years ago did?

MR. STAPLES. I am not sure as to the date, but twenty years ago and even later the required weight was perhaps a pound heavier than it is to-day under the rules.

THE CHAIRMAN. Is that the only difference? Is the degree of moisture changed; is the percentage of foreign matter changed?

MR. STAPLES. The percentage of moisture is not a factor in the grading of grain except in this sense. It might prove that grain would class as rejected grain if it contained too much moisture, and I will reach that after awhile, when I attempt to show that rejected grain, while it is graded as rejected, may bring almost the price of No. 1 grain; and the very fact that this grain goes into the elevator as rejected and is afterwards shipped out as No. 1, which is true, does not gainsay the fact that the man who shipped the rejected grain received almost No. 1 price for it. I think I can demonstrate that fact to the committee.

This has been accomplished, notwithstanding the fact that no two crops of wheat or any other grain that have been raised within the last twenty-three years have been the same. This fact also tends to dispute, as far as the Northwest is concerned, the necessity for a system of Federal inspection.

Another argument that has been made for Federal inspection is that Minnesota inspection in the beginning of the grain season is too severe against the producer, the charge being made that that grain was graded one or two grades below what it should be, up to

about the middle of October, when a sudden change to a more liberal grading is made. And on that subject I propose to submit to this committee a specific statement of a certain number of shipments from North Dakota of this past season, covering all the shipments of those elevators between the 1st day of September and some time in December, showing the grades obtained by those shippers at our terminal points, which I think will completely refute this slander.

The present commission does not in any manner regard itself as responsible for anything that happened prior to the beginning of its term of office, which was in January, 1901. However, we desire to state that if all of the facts brought out by the legislative investigation of 1899, referred to by the author of this bill, relative to ultra-conservative grading of grain in the beginning of a new season, were introduced as an argument tending to discredit the Minnesota system as then in vogue, it would by no means show or prove the alleged undergrading at terminal points. At the present time and since the inception of the present administrative forces of the Minnesota department the grading of wheat and other grain is conducted on absolutely the same rules and principles in August and September as in October, or any other month. In other words, grain is graded on its merits according to the rules annually established, on or about the 15th of September, by the board of grain appeals. These rules are adhered to at all times of the year. If this alleged undergrading is to be made a reason why Federal inspection for North Dakota or any other grain is required, we here submit that such reason is not well taken; that there can be no greater consistency in the grading of grain at all seasons of the year under Federal inspection than there is to-day under the Minnesota inspection.

Another reason alleged by which improper or insufficient supervision is implied as to the Minnesota system of grain inspection is the fact that more grain of a superior grade is inspected out of our terminals than is inspected in, a charge which carries with it an implication that our inspectors undergrade stuff when taking it in and grade it correctly or even overgrade it when inspecting it out. It is true that more grain of a superior grade is inspected and shipped out than is inspected and shipped in. This, however, does not by any manner of means indicate corrupt or incompetent inspection. It is one of the natural results of the grain trade.

A great deal of grain is delivered at initial points which is not in a marketable condition owing to excessive moisture, rust, smut, or other adverse conditions. The local elevator man would be justified in refusing to accept such grain, but he is anxious to do business, he knows the grain can be improved, and he buys it from the farmer on a reduced grade and at a reduced price. This grain is shipped to terminal points perhaps as a No. 3 wheat. It is sold to men engaged in the cleaning and purifying of grain who have large elevators equipped for such purposes, and they proceed to put this grain in a marketable condition.

Here I desire to say that much of this grain goes into the mill, and therefore it never can be weighed out, and it would not show in the statements, and in all these statements made here, no account has been taken of the amount on hand, either at the beginning or the close of the period.

The CHAIRMAN. Is not that wheat weighed in?

Mr. STAPLES. Yes, sir; it is all weighed in.

The CHAIRMAN. It is all weighed in but not weighed out?

Mr. STAPLES. Yes, sir; it is never weighed out; and I say that we manufacture 125,000,000 bushels of wheat.

The CHAIRMAN. I asked Senator McCumber that question, and he said all that was weighed in was weighed out.

Mr. STAPLES. Yes; I heard it. In many cases the grain would be absolutely spoiled if not handled; and when they are through with it, it oftentimes occurs that it has been improved one or even two grades. This terminal improvement of grain instead of being a damage is an absolute benefit to every farmer who is so unfortunate as to become the possessor of damaged grain. There are always those to bid for it all it is worth. Were it not for these cleaning houses a great deal of the grain which is now improved and put in a marketable condition so that it can be manufactured into human food, would be useless for anything else than common feed purposes, and oftentimes not even for this. It would spoil on the hands of the producer.

At this point I desire to say this, that in our State we have sampling bureaus that take samples of every car of grain that comes into the market, and those samples are placed on the tables of the Chamber of Commerce and the Board of Trade of Duluth, and if you gentlemen take the trouble to follow the market reports, you will find that in hundreds and thousands of cases of cars of grain that came in to-day there will be a variance of 2, 3, 4, or even 5 cents upon the cash sales upon the same grade of grain, grain graded No. 2 or 3; the actual sales will vary from 2 to 5 or 6 cents per bushel. Now, that means that somebody bought that grain because he knew he could improve it; that it was better grain than it was graded, although under the rules you could give it no better grade.

Mr. RICHARDSON. Are not the samples taken after it is graded?

Mr. STAPLES. No, sir; it is entirely independent of that; it has nothing to do with that.

Mr. RICHARDSON. You do sell a good deal by sample, though, do you not?

Mr. STAPLES. Not exactly. That simply governs the buyer on what he will pay for that particular car on that particular grade of grain. In that connection I want to say that the grading is not compulsory, and nobody need pay any attention to the grading or inspecting. Any grain that goes into a public warehouse that goes in as a certain grade must come out as absolutely the same grade. Anybody can store his grain in a public warehouse, and his grain will come out as it went in. In other words, we take just as many bushels of No. 1 grain from a public warehouse as are put in.

Mr. STEVENS. In other words, you mean that no mixing is permitted in a public warehouse?

Mr. STAPLES. No, sir; no mixing is permitted. Any shipper is permitted to store in a public warehouse.

Mr. STEVENS. Mr. Gronna said it was.

Mr. STAPLES. I think Mr. Gronna means all he says, but he lacks knowledge of the practical operations.

Mr. TOWNSEND. What proportion of that grain goes into the public warehouses?

Mr. STAPLES. A small proportion.

Mr. TOWNSEND. It is quite small compared with the whole?

Mr. STAPLES. Yes, sir.

Mr. ESCH. Do they have to pay storage in those warehouses?

Mr. STAPLES. Yes, sir.

The CHAIRMAN. You said a little while ago that 200,000,000 bushels was weighed in and 200,000,000 bushels weighed out. You afterwards spoke of 125,000,000 bushels that went into the mills and were consumed by the mills. That would make a traffic of 525,000,000 bushels for that State?

Mr. STAPLES. You misunderstood me, Mr. Chairman. That 125,000,000 is involved in the inspections.

The CHAIRMAN. That is what I was going to ask. I did not understand you to say that.

Mr. STAPLES. I beg your pardon.

Mr. TOWNSEND. You say in a public warehouse they are not permitted to mix the grain. Is there any law against mixing it in any warehouse?

Mr. STAPLES. No, sir; other warehouses are entirely private.

Mr. TOWNSEND. And they do mix it there, do they not?

Mr. STAPLES. Yes; that is their business. The advocates of the bill for Federal inspection would make it appear that all of this improvement of damaged and low-grade grain is to the detriment and loss of the producer, and he suggests Federal inspection as a remedy. However, under Federal inspection the same usages would obtain, and if by some unfortunate ruling it would be made impossible to improve grain at terminal points, then the producer would sustain an immense loss.

There is absolutely nothing to hinder any farmer in North Dakota or any other State from shipping his own uncleaned grain to our terminal points, having the same cleaned and treated if necessary, and obtaining for the same a certificate of inspection on its merits after being so improved.

This avenue of escape from local unsatisfactory grades is just as open to every shipper from North Dakota as it is from any other point, and it is just as open now as it will or would be under any Federal inspection system that can be devised. In Minnesota the farmer regulates his local market by independent shipments. The enemies of the Minnesota system of grain inspection have used this argument of under and overgrading so much and so often that we are almost constrained to believe that they believe it themselves. The very first time when this argument was made in support of legislation for Federal inspection we took occasion to fully and thoroughly explain the same, and this explanation was brought to the attention of all parties concerned, and we felt that it should have some force, but it seems that in this respect we were mistaken.

It would seem that when the officials of a great system like that which we have in Minnesota, standing as they do as an umpire between the producers and the buyers of hundreds of millions of bushels of grain, make a statement backed up by facts, such statement should have some weight in the chambers of Congress.

We will submit to this committee figures which will explain the greater amount of high-grade grain being inspected out of terminal points as against that which was inspected in, and we appeal to the fairness of this committee to give these proper consideration, not so

much because they may have any bearing on the passage of the bill for Federal inspection, but because of the fact that we would deplore it as an uncalled for misfortune that any legislation of this character would be predicated on an entire misunderstanding or misconstruction of the operation of the Minnesota laws.

Another argument produced in support of this measure is the report of a committee of bankers which was sent from North Dakota to make a personal inspection of the methods of handling, inspecting, and buying grain at Minneapolis, Duluth, and West Superior. Their report was in keeping with that of any committee which is sent out for the purpose of finding something, with this difference, that they were unable to find anything wrong of any concern. They were unable to point to a single case of discrimination as between Minnesota shippers and those of other States in regard to grading or dockage. They were unable to point out a single case of discrimination in the matter of improving damaged grain as between North Dakota shippers and those from other States. They could not point to a single case of discrimination in the matter of grain purchased by the members of the Chamber of Commerce of Minneapolis or the Board of Trade of Duluth, as between shippers from North Dakota and those from other States. They were unable to find out one single instance where the Minnesota system discriminated against anyone as between shippers from our State and those from other States.

They did, however, raise the question of dockage, contending that the same should be returned, or at least the value of it, to the shipper. The return of the dockage, or its value, is a most impracticable proposition, and if it ever obtains must start at the initial point. In this respect the future may bring a change in our State, and if the people of the State of North Dakota are alive to their interests they may pattern after the system which we hope to establish—that is, to have all grain cleaned at the local elevators before shipment to the terminals—thus leaving it to the farmer to bring clean grain to market or stand the expense of cleaning the same.

In 1907 the legislature of North Dakota adopted a joint resolution addressed to the legislature of the State of Minnesota complaining of certain defects in our system and requesting a remedy. These resolutions were received by the Minnesota legislature then in session in a friendly and neighborly spirit, and after a thorough investigation by a joint legislative committee of our legislature of the charges which had been made they reported that they could not accede to the request. The reply sent by our legislature to North Dakota was a complete vindication of our system as against the charges and implied charges contained in the North Dakota joint resolution. This answer represents the very latest official investigation in relation to the workings of our system, and it would seem, as long as the alleged unsatisfactory condition of our system is made the foundation in part at least for the passage of a Federal inspection law, that this information should be brought before this committee, together with other details. I will file a copy of the resolution of the North Dakota legislature of 1907 and the reply of the Minnesota legislature thereto with your committee.

Summarizing my knowledge of the Minnesota inspection system and its workings as it exists to-day, I do not hesitate to say to this committee that it is as perfect as human effort and human agency

which have been at our command are able to make it. While we know that not all those who have occasion to come to us either in the capacity of shippers or sellers of grain will agree to that statement, we do know that the great mass of the intelligent farmers of Minnesota are satisfied with the working of our system, and also that the grain men and millers are satisfied, and we also know that there is not only no demand for, but there is an actual opposition to, this measure. Our people are satisfied with the existing State system. They do not desire to have that taken from them and have substituted in its place a system where the base of operations will be so remote from them as the city of Washington is from the grain fields of the Northwest.

Before closing, however, I beg the indulgence of the committee for a few remarks, which I trust may enlighten them as to the apparent misunderstanding as to existing conditions as between the author of this measure and the department for which I stand as sponsor. We have in Minnesota not only a terminal inspection system, but the law empowers and directs our commission to exercise a supervision over the local grain interests of the State. We have in Minnesota at this time 1,721 licensed local warehouses. These are located, as the term would indicate, at the interior markets. They are public local warehouses and subject to supervision and inspection of the commission. The commission makes the rules that govern and obtain in the operation of these houses. They are made to conform in the matter of grades and dockage to the system of grades in vogue at terminal points.

They are compelled by law to make sworn annual reports of the business which they have transacted, showing in detail the amount of grain on hand at the beginning of the year, of all grades, the amount received, the amount shipped, and the balance on hand at the end of the year. They are also required to make a report of what their dockage has been on the several kinds of grain received, and what it has been on the several kinds of grain shipped. Through these reports we are enabled to determine quite accurately whether the interior elevator man is giving the farmer a just and fair deal. This supervision and the knowledge on the part of the elevator man that he is subject to such supervision has a tendency to induce him to give to the farmer what belongs to him. Our commission has the power to revoke a warehouseman's license for misconduct; and not only is this the law, but we proceed to apply to the enforcement of this law the same principles and the same spirit and the same force that we apply to the enforcement of the terminal inspection law. Thus we keep in touch with every grain market in the State, and whenever a complaint is heard, and oftentimes without a complaint, we make personal examinations of the business of local warehousemen. We have men traveling in the country all the time making investigations. We believe that under this law and its enforcement we have in a degree at least the cause and reason for the satisfaction that exists among Minnesota farmers with reference to Minnesota grain inspection.

Mr. RICHARDSON. Right there, in regard to the warehouse inquiry, do you have a grading by the warehouse inspector? Does he do the grading of the wheat that goes in there?

Mr. STAPLES. We have no man ourselves who is in direct charge. There is a man in charge there.

Mr. RICHARDSON. Who is in charge there?

Mr. STAPLES. The local elevator man or the agent.

Mr. RICHARDSON. After the wheat gets to the warehouse is it taken to the elevator and graded at the elevator?

Mr. STAPLES. To the terminal market.

Mr. RICHARDSON. Is it not graded before it goes in the elevator, or after it gets in there?

Mr. STAPLES. Not by the State.

Mr. RICHARDSON. Would it not be a check on the fellow that grades it thereafter if it was already graded?

Mr. STAPLES. Would it not be a check?

Mr. RICHARDSON. Yes.

Mr. STAPLES. Yes; but upon that I desire to say that it is impracticable. It would not be possible to have 1,721 inspectors located at 1,721 elevators who could keep within a mile of a uniform grade.

Mr. RICHARDSON. I was just asking for information.

Mr. STEVENS. I understand that the warehouse you speak of is the elevator?

Mr. RICHARDSON. Is the elevator?

Mr. STEVENS. Yes; it is the same thing. Is not that so?

Mr. STAPLES. When I use the word "terminal" I mean the big market, the center. When I use the term "country" I mean a local.

The CHAIRMAN. Does your way of grading this grain and doing business give to the farmer any idea of the grade of his particular wheat?

Mr. STAPLES. Yes, sir.

The CHAIRMAN. How?

Mr. STAPLES. The farmer is permitted, and we are glad to have him and invite him, to send samples of his grain to our department, which we grade without charge, and immediately notify him what his grain should grade.

Mr. STEVENS. Is that adopted practically?

Mr. STAPLES. Yes; we get thousands of samples.

Mr. RICHARDSON. When they send it to you to grade a sample, do they ever sell by the grading you make upon that sample?

Mr. STAPLES. Yes, sir; that is his privilege under our system. We furnish him with the means of loading his own grain, and he knows what grade he will get when he sends to the terminal, and that determines him as to whether he will sell to the local man or ship it himself.

Mr. RICHARDSON. But he would sell on the grade you had made of the sample if he sold to the local elevator without shipping at all; he would sell upon the sample you put in his hand?

Mr. STAPLES. Yes, sir.

Mr. TOWNSEND. You inspect it before you pay for it? You do not rest it entirely upon that sample?

Mr. STAPLES. I do not understand. We do not pay for it. We do not buy it.

Mr. TOWNSEND. The terminal elevator man?

Mr. STAPLES. He has nothing to do with our inspection. We are inspecting it for the benefit of the farmer. The farmer sends that grain in, and he confides it to a commission man and not to any

elevator man and the commission man of course has the grain graded as it comes in, in the car.

Mr. TOWNSEND. Of what value is a sample test to the farmer?

Mr. STAPLES. It determines in his mind whether he had better send that grain in to the terminal market and sell it, or sell it to the local elevator man, if the local elevator man will treat him right.

Mr. TOWNSEND. Is there any assurance, if he sends it in to the commission man, that he will grade it according to that sample?

Mr. STAPLES. Yes; if the sample is a fair sample.

Mr. RYAN. And he will not sell unless he gets the grade for sale that has been assigned to it by the commission?

Mr. STAPLES. Yes, sir.

Mr. RICHARDSON. What proportion of these sales do you suppose are now made by sample? The man has given you a sample, and you have looked at and graded it, and he believes that you are right. What proportion of the sales are made on those samples; that is, of sales made voluntarily?

Mr. STAPLES. You get a little misconception. It is not sold by sample. It has been graded by sample.

Mr. RICHARDSON. It has been graded by sample, and he sells what he has got by sample, if he sells at all.

Mr. STAPLES. In answering your question I will say there is a large proportion of it sold on that plan.

Mr. RICHARDSON. It is just like we sell cotton.

The CHAIRMAN. What proportion of that entire crop?

Mr. STAPLES. You mean would be represented by independent shipments?

The CHAIRMAN. No, sir; what proportion of the owners of the entire crop avail themselves of this opportunity of having it graded?

Mr. STAPLES. I think in Minnesota it is about 5 per cent. In North Dakota I should say it was 25 to 50 per cent. The reason for that is that the North Dakota shippers are larger growers of grain and have larger fields and larger amounts to ship.

Mr. RICHARDSON. Is it not true, then, that your State inspection or Federal inspection would not do that kind of man any service at all, because he sells on his own judgment?

Mr. STAPLES. No, sir.

Mr. RICHARDSON. How is it going to do him any good?

Mr. STAPLES. It will do him a great deal of good. You do not quite understand.

Mr. RICHARDSON. No; I do not know about elevators.

Mr. STAPLES. He sends a sample in to have it graded in order to determine in his own mind whether he had better ship the grain or sell it to the local elevator man. If he goes to the local elevator man and he is satisfied with the price, he sells it to him.

Mr. RICHARDSON. You do not understand my question.

Mr. BARTLETT. No; that is a different proposition.

Mr. RICHARDSON. Suppose he goes to him and he sells it without grading?

Mr. STAPLES. When he sells locally?

Mr. RICHARDSON. Yes; when he has taken a sample and sent it to you and he goes out and sells it.

Mr. STAPLES. It is not graded officially; that is true.

Mr. RICHARDSON. Yes; that is it.

Mr. STAPLES. Very recently, acting under a law passed by the North Dakota legislature of 1907, a special grain board appointed by the governor of North Dakota to make a special investigation to locate the cause for complaint made by North Dakota grain producers made an official investigation of our terminal inspection system at Minneapolis and Duluth. That was within two months. They were very thorough in ascertaining the method in vogue, and after such investigation was complete, informed our commission that they were unable to find anything that would demand a change for the purpose of bringing about an improvement in the service. While this special grain board has not yet made its official report to the governor of the State of North Dakota, we are convinced that when they do report they will give credit where it belongs. I take that as a very strong evidence that after an official investigation by an official body they are unable to find anything wrong, and I think that it ought to remove, to a large degree, any impression in the minds of those who believe that there is something wrong.

We believe the interference by public authorities in commercial matters should not be extended further than is absolutely necessary. I submit that as yet there has been nothing shown, or that tends to show, that there is any great demand for this measure except by those who do not thoroughly understand what its operation would mean and who are likewise ignorant of the operation of the existing State laws.

The CHAIRMAN. On the contrary, may not men be satisfied that your system is so perfect that they desire to extend it all over the country and to relieve the States of the burden of sustaining it and to put the burden on public expenditure?

Mr. STAPLES. I would be glad to see it done if it was possible. I want to say at this juncture that no one has yet brought out the fact that this bill has features about it, when it comes to the practical operation, which have not been presented to this committee. To point out one, I will say that it will be necessary to locate inspectors at points which are as yet undreamed of, which will be apparent when it is understood the practical way in which wheat is shipped.

Mr. RYAN. We would have to have 1,721 in your State alone?

Mr. STAPLES. No; I would not claim that for a moment. I think the author of this bill intended to have inspection only at terminal points, but it is provided in the bill to have Federal inspection of all grain which is in its nature interstate commerce, and I will be able to demonstrate that it would take a great many inspectors at points that are not dreamed of to inspect grain which is not interstate commerce and which never reaches those terminals.

When it comes to the question of protection for the foreign buyer, that is another matter, and one which perhaps may bear a technical investigation by this committee. If the allegation of the foreign buyer of our grain, that he is furnished an inferior article to the one that he buys and for which he receives a certificate of inspection, is true, it is unfortunate and will have a tendency to injure the producers of grain in the Northwest, and of all the States, for that matter. If such a practice is in vogue to any extent or degree, it should be stopped. The foreign buyer is entitled to precisely what he buys. If he buys a cargo of No. 1 northern wheat, he is entitled to receive No. 1 northern wheat; and any mixing of the same at Buffalo, New York, or any other seaport where the same is loaded from boats

into cars again or from cars into boats, by which inferior grain is substituted in part for our northwestern grain, is something which must ultimately result in destroying confidence and thus injuring the northwestern producer. If such be the case, then this committee or this Congress would be justified in taking such action as will afford adequate relief, but in order to do this it is not necessary to overturn or overthrow the entire commercial condition of affairs that now governs the grain trade and substitute for the same the iron hand and ultratechnical system that Federal inspection would employ.

We have built up in the Northwest a great system of terminal inspection and country supervision; we have established a standard of grades that are recognized the world over. We have done this in the full belief and knowledge that we were keeping within those constitutional rights guaranteed us by the Federal Constitution when we became a part of this Union, and we do not desire to have the General Government now step in and by its higher authority override and destroy a system that we have built up. There is no necessity for it, and this should not be done except in case of absolute necessity, and such necessity does not exist.

All the advantages and merits expected under the proposed scheme of Federal inspection already exist under the Minnesota State inspection. All inspectors are free from political influence. They owe no allegiance to the buyer or shipper. Their decisions are free from bias. Their grading is done under rules and regulations adopted by the State board of grain appeals, a department entirely separate and distinct from and independent of the general department of State grain inspection and composed of representatives of both the producers and buyers of grain.

Our inspectors have as a guide all of the accumulated knowledge, both practical and technical, resulting from twenty-three years' actual work and experience in the inspection, handling, and classifying of the vast quantities of grain which have during that long period been pouring into the Minnesota markets, not only from this State, but from seven neighboring States. They have contributed toward the establishment of an ideal system of commercial inspection of grain based upon the intrinsic milling merits of the grain as ascertained by the results of frequent analyses, utilizing the facilities of our State agricultural stations and private laboratories for this purpose. With results of these careful chemical tests constantly before them as an aid and guide, and under rules of inspection based upon the real merits of the grain, they have succeeded in the perfection of a system that insures correct and expeditious results and does full justice to all interests. It is almost universally recognized as the best system of inspection in the country to-day.

Chemical tests have always been recognized and used by our department as being the most reliable basis for a just system of grades in this State.

Under our present mode of procedure in cases of requests for reinspection and appeal, this work is performed as expeditiously as possible consistent with proper care and accuracy. Facilities for securing a second or even a third examination of grain are so inexpensive that many cases occur, and the work has been so systematized that a car of grain can be inspected, reinspected, and again reviewed on appeal often within thirty minutes, and always within two or three hours from the time of its first inspection.

Mr. STEVENS. What would be the time under these bills to receive reinspection?

Mr. STAPLES. As I stated a while ago, most of our grain is inspected before it arrives at the terminals at all. Under this bill the transportation company must notify the inspector within twenty-four hours after the arrival of the grain, and it is hard to say. If there was no appeal and no reinspection, the car might be unloaded within forty-eight hours.

Mr. STEVENS. Suppose there is a reinspection?

Mr. STAPLES. If there is a reinspection and an appeal to the Secretary of Agriculture, it might be anywhere from thirty days to two months, and that grain must not be unloaded until it is reinspected, under that bill. Of course that is an overdrawn statement. I do not mean to say there would be many people who would carry their appeals to the Secretary of Agriculture, because it would cost a car of grain to do it; but the bill provides for an appeal to be carried to the Secretary of Agriculture. It does not say that he shall make rules; it says that the appeal shall be taken to him. As time is a most important factor in the question, and delays mean serious expense, the value of our system can be appreciated. It is hardly probable that the proposed reference of appealed cases to the Agricultural Department at Washington would result in an improvement over our system. Terminal inspection and grades under Minnesota inspection furnish the basis of proper grading at country points. Federal inspection could do no more than this.

There is nothing in the proposed Federal inspection which prevents inspectors from doing injustice more than under any other form or system now in vogue, if they were so disposed. Surely nobody thinks an inspector would be more honest as a Government official than he would be in any other capacity.

The constant repetition of the charge that purchasers of grain gain a grade on one-half or two-thirds of the crop, with a corresponding loss to the producers, gives it no more foundation in truth and fact than when the falsehood was first uttered. The same rules for the terminal grades are applied by our inspectors to both ingoing and outgoing grain.

This proposed legislation seems to contemplate a Federal inspection so mathematically perfect that the slightest percentage of variation in the test of grain coming out of an elevator from the record made when it went in would be absolute evidence of manipulation and fraud. I have tried to show the utter fallacy of this claim.

Mr. Chairman and gentlemen, I have some matter that I think should be filed with the committee. I have here a statement which shows the name of every inspector in our department, his former occupation, the dates of his promotions, the time he has been in the department, and the time he has been an inspector—and that shows that not one has been in the service less than seven years—and how many years he had served before he became an inspector; and in connection with that I want to say that many of the men who take our examinations after ten or fifteen years of experience as helpers to the inspectors utterly fail, and many of them give up entirely.

The list referred to is as follows:

EXHIBIT 1.—*Minnesota grain inspection department.*

[Statement showing names of grain inspectors, their former occupation, date appointed, promotions, present positions, length of service, and number of years which they have served as inspectors in the department.]

Inspector.	Former occupation.	Date appointed, promotions, and present position.	Years in department.	Years as inspector.
F. W. Eva.....	Grain business.....	1886 weigher, 1898 private inspector, 1899 appeal board, 1901 chief deputy, 1902 chief inspector.	15	9
J. N. Barncard....	Country grain buyer..	1885 deputy inspector, 1890 assistant chief deputy, 1895 chief deputy inspector.	23	23
H. E. Emerson....	Clerk railway.....	1891 helper, 1893 sub. deputy inspector, 1896 deputy inspector, 1901 assistant chief deputy, 1902 chief deputy inspector.	17	15
G. H. Tunell.....	Farmer and country grain buyer.	1889 deputy inspector, 1894 assistant chief deputy inspector.	19	19
R. Gibbs.....	Farmer.....	1885 helper, 1889 sub. deputy inspector, 1890 deputy inspector, 1898 assistant chief deputy.	23	19
C. P. Earl.....	Country grain buyer..	1891 sub. deputy, 1892 deputy inspector, 1904 assistant chief deputy inspector.	17	17
C. G. Bryant.....	Farmer.....	1886 helper, 1891 sub. deputy inspector, 1892 deputy inspector, 1902 assistant chief deputy.	22	17
C. F. Maxfield....	Grain buyer.....	1888 deputy inspector.	20	20
F. R. Curtis.....	Farmer.....	1892 helper, 1893 sub. deputy inspector, 1895 deputy inspector.	16	15
C. W. Pool.....	do.....	1893 helper, 1894 sub. deputy inspector, 1898 deputy inspector.	15	14
E. Burnand.....	Grain business.....	1890 helper, 1895 sub. deputy inspector, 1897 deputy inspector.	18	13
J. C. Munro.....	Railroad.....	1891 weigher, 1895 sub. deputy inspector, 1902 deputy inspector.	17	13
P. J. Brittain....	do.....	1892 helper, 1897 sub. deputy inspector, 1898 deputy inspector.	16	11
J. Lemoignan.....	Farmer.....	1894 helper, 1897 sub. deputy inspector, 1902 deputy inspector.	14	11
S. Sweet.....	do.....	1892 helper, 1897 sub. deputy inspector, 1898 deputy inspector.	16	11
W. Swanstrom....	Clerk.....	1894 helper, 1898 sub. deputy inspector, 1899 deputy inspector.	14	10
E. H. Conkey.....	Farmer and miller...	1898 helper, 1901 sub. deputy inspector, 1902 deputy inspector.	10	7
J. E. McNamara...	Farmer and grain buyer.	1901 sub. deputy inspector, 1902 deputy inspector.	7	7
W. F. Converse....	Farmer.....	1897 helper, 1901 inspection clerk, 1902 deputy inspector.	11	6
H. C. Rompage....	do.....	1892 helper, 1902 deputy inspector....	16	6
V. L. Coleman.....	do.....	1891 helper, 1902 sub. deputy inspector, 1903 deputy inspector.	17	6
F. A. Sills.....	do.....	1897 weigher, 1901 helper, 1902 sub. deputy inspector, 1907 deputy inspector.	11	6
J. H. Edwards....	do.....	1901 helper, 1902 sub. deputy inspector, 1907 deputy inspector.	7	6
A. R. Gordon.....	Farmer and grain buyer.	1901 helper, 1903 sub. deputy inspector, 1907 deputy inspector.	7	5

Of the foregoing 24 inspectors 15 were farmers, 3 were country grain buyers, 2 were in the grain business, 2 were clerks, and 2 were railroading.

BOARD OF GRAIN APPEALS.

This board was created by chapter 199 of general laws of 1899, which provides for the appointment by the governor of six members of the board of grain appeals, three to act in Duluth and three in Minneapolis, and they are separate and distinct from the grain inspection department.

These members are all practical grain men, their former occupations being as follows: 3 country grain buyers, 2 farmers, 1 grain inspector.

The board of grain appeals under section 2063, chapter 28, general laws of Minnesota, 1907, shall recommend the discharge of any inspector deemed by them incompetent or unfit in the inspection department.

Minnesota grain inspection department.

Total number of employees in inspection department (24 inspectors, and 76 helpers and clerks).....	100
Total annual cost of the inspection department.....	\$142,000.00
Total cars inspected "on arrival".....	223,873
Total cars inspected "out of store".....	53,071
	276,944
223,873 carloads, average bushels per car 1,056.....	236,409,888
53,071 carloads, average bushels per car 1,160.....	61,562,360
Total bushels inspected into vessels.....	85,659,500
Grand total inspected in carloads and into vessels.....	383,631,748

Inspection fees.

Year.	Flaxseed.		All grains except flaxseed.	
	Per car.	Per 1,000 bushels	Per carload	Per 1,000 bushels
1905.....	\$0.75	\$1.00	\$0.25	\$0.40
1906.....	.65	.50	.15	.30
1907.....	.75	.75	.20	.30

Reinspection and appeals for the crop season ending August 31, 1907.

	Total number.	Per cent of—	
		Inspections.	Reinspections.
Cars inspected.....	276,944		
Cars reinspected.....	57,394	20.7	
Cars original grade and dockage sustained on reinspection..	33,429		58.3
Cars original grade and dockage changed on reinspection..	23,965		41.7
Cars appealed.....	33,036	11.9	
Cars sustained on appeal.....	21,453		37.3
Cars changed on appeal in grade or dockage.....	11,583	4.2	

As per statistics compiled by the Northwestern Miller, there are 123,317,515 bushels of wheat ground into flour in the State of Minnesota, which would amount to 116,778 carloads.

During the busy season, there is inspected at Minneapolis and Duluth on an average 800 cars daily. Official samples are obtained in the railroad yards from all cars containing grain subject to inspection, and are brought to the office and the inspection actually made in the office by the inspectors from these official samples.

There are 1,721 country elevators in Minnesota. Of these, 156 are farmers' elevators and 320 independent elevators.

There are 1,675 country elevators in North Dakota.

There are 1,109 country elevators in South Dakota. Of these, 80 are farmers' elevators.

Number of local points where inspection is maintained, 6 in Minnesota; number of terminal points where inspection is maintained, 3 in Minnesota; total, 9 in Minnesota.

Mr. RYAN. Those men were all inspectors, then, at the time complained of by Senator McCumber in his statement here this morning?

Mr. STAPLES. Yes, sir. We have, I will say, 24 inspectors in our service. The board of appeals has something to say with reference to that, but I will not read it.

Mr. STEVENS. That does not include the number in the weighing force?

Mr. STAPLES. It has nothing to do with the weighing department.

Mr. STEVENS. I think you ought to explain that the weighing and the inspecting are not all one process. They are entirely different.

Mr. STAPLES. I am trying to eliminate anything in reference to weighing in our State—that is, it refers entirely to inspection. I have here also a reference to the law appointing a board of appeals, and referring to the fact that it is nonpartisan and giving the occupation of the men before they took those positions.

Mr. BARTLETT. Would it be feasible or practicable for the inspectors to perform their duties faithfully and efficiently, and yet for the elevator men to have done what is charged to have been done, in adding to or changing the grade of wheat? In other words, suppose that at times when this wheat does not pass under the inspection of these gentlemen who you say are inspectors, and good ones and experienced ones, the men who are preparing the wheat for export and shipment, the elevator men, should perpetrate the fraud that is alleged to have been perpetrated by them?

Mr. STAPLES. That is not possible, Judge. I have tried to make it clear.

Mr. BARTLETT. I do not know anything about the inspection business.

Mr. STAPLES. There is always a buyer and a seller of grain, and one wants it graded high and the other wants it graded low.

Mr. BARTLETT. I understand that.

Mr. STAPLES. Now, this system we have provides first for a reinspection if either one is dissatisfied. One wants it up and the other down. If either one is dissatisfied as to the inspection, there is the appeal board, a board that we have no relation to at all; an entirely different board, under different authority.

Mr. BARTLETT. What I wanted was to ask if it was possible, probable, or practicable for the inspectors to be not influenced and to do their duty in accordance with honesty and probity and experience, and yet for these elevator men who ship the wheat to change the grade which the inspector had placed on it?

Mr. STAPLES. I would answer that yes, sir. If I should go into it in detail it would take some time. But they do not change the grade in the sense you mean. They improve the grade by processes.

Mr. RYAN. If a carload of grain is shipped to a terminal warehouse and is inspected there, and it changes hands while it is there and is about to be shipped out, is it reinspected when it is about to be shipped out?

Mr. STAPLES. No, sir; if it goes out in the same car, it is not.

Mr. RYAN. We will assume that it does not go out in the same car. They could not manipulate it if it went out in the same car. But suppose the grain comes in and is put into an elevator.

Mr. STAPLES. If it went out of the warehouse it would go out as of the same grade and without any question.

Mr. RYAN. Of the same grade?

Mr. STAPLES. Yes.

The CHAIRMAN. Then how do you account for this small amount of the inferior grades that goes out if it goes out in the same grade that it goes in?

Mr. STAPLES. Not from the private house. I said from the public house.

The CHAIRMAN. That is a very inconsiderable part of the traffic.

Mr. STAPLES. That is true.

The CHAIRMAN. What percentage of the grain that comes to the warehouses and elevators of Duluth, for instance, goes to the Government elevators—the State elevators?

Mr. STAPLES. I would be glad to answer if I could. I can not do it. It is a small percentage.

The CHAIRMAN. Is it 1 per cent?

Mr. STAPLES. It is more than that.

Mr. HUBBARD. You suggested 5 per cent, did you not?

Mr. STAPLES. No, sir; I said 10 per cent was from the independent shippers or others in the State of Minnesota. The cost of the inspecting department annually is \$142,000. The total cars inspected on arrival—this speaks for the last year—the total of cars inspected out of store, combined, was 276,944.

Mr. BARTLETT. About the private elevators, do they have no inspection made, so as to grade the wheat, by anybody?

Mr. STAPLES. Yes, sir; it is graded by the State, by our department.

Mr. BARTLETT. By the State?

Mr. STAPLES. Yes, sir.

Mr. RYAN. Will you not explain what your board does with regard to private elevators, and where this mixing takes place?

Mr. STAPLES. All the grain that comes in is inspected, not because the law requires it, but because the seller requires it. He says "I want it sold subject to Minnesota inspection." That is the only reason it is inspected by us. We inspect it, and we do not know where it is going, and we do not care where it goes. It may go into a public warehouse. If it goes into a public house, we keep a record of it. If it goes into a private house, we have nothing to do with it. When the grain is put out of a private house it is put out on a sale of 100,000 bushels, perhaps, of No. 2 northern. That is inspected in the cars, on the track. That is, I say it is inspected in the cars; samples are taken out, and we inspect that grain as it stands in the cars on the track.

Mr. BARTLETT. If that 100,000 bushels that went into the private elevator was inspected either by law or by request on the public inspector, and that went out of the warehouse and was inspected when it went on board of a train and was shown not to measure up to the standard or the requirements when it went in, would not that appear to somebody?

Mr. STAPLES. No, sir; I could answer that in this way—

Mr. BARTLETT. In other words, would not the inspector find that out if when it went into the private warehouse it measured up to a No. 1 or a No. 2, and when it was inspected when it was shipped out it did not measure up, but measured high or low?

Mr. STAPLES. It does measure up.

Mr. BARTLETT. If it did not? That is what I ask.

Mr. STAPLES. It would not pass the inspection.

Mr. BARTLETT. That is the point.

The CHAIRMAN. That 100,000 bushels, you say, is inspected on samples. Where do you get the samples?

Mr. STAPLES. From the cars.

The CHAIRMAN. Who takes those samples?

Mr. STAPLES. Our official. I might describe how that is done.

Mr. RYAN. Go through with that shipment.

Mr. STAPLES. I must omit a good many details in this discussion, but I might describe how that is done. The official sampler goes into the car with what is called a "sectional probe." It is a probe which goes to the bottom of the car. If it is a car of flax, he puts that probe to the bottom of the car in seven different places, and it will take samples of the flax every 6 inches down in that car, and he will take it at seven points in the car. Then he shuts the probes and pulls them out and takes those samples to the door and mixes them thoroughly, and then he takes from that 2 or 3 quarts, after it is thoroughly mixed, and puts it into a bag and seals the bag, and it is upon that that the inspector gives his official inspection of the examination of that car. Grain that is put out of a private house is put out on a certain grade; that is, they have sold No. 2 northern, we will say, and if that car upon inspection does not prove to be No. 2 northern, under our rules we refuse to give them No. 2 northern.

Mr. RYAN. On the certificate?

Mr. STAPLES. We refuse to give them any certificate at all unless it grades for what it is.

Mr. RYAN. Then you are doing things that secure the public from imposition, even from a private warehouse?

Mr. STAPLES. I have tried to show that.

The CHAIRMAN. Where you refuse to give that certificate, they still ship that grain?

Mr. STAPLES. No, sir.

The CHAIRMAN. What becomes of that 100,000 bushel shipment?

Mr. STAPLES. You might ask what becomes of that carload. If he can not find somebody who will take that carload on its merits, it is put back into the house, which is done hundreds and thousands of times.

The CHAIRMAN. Could he not ship that?

Mr. STAPLES. But he has no certificate.

The CHAIRMAN. Suppose he does not want a certificate?

Mr. STAPLES. We do not care.

The CHAIRMAN. He could ship it?

Mr. STAPLES. We do not care whether he has a certificate or not.

Mr. RYAN. The buyer would have to take that at his own risk?

Mr. STAPLES. Yes; he can not get a certificate from us. I have here also a statement of our fees. It has been stated what our fees are. They change. We make the fees just sufficient to maintain the service. If we get a surplus we reduce the fees for a time. Here is a thing which should be interesting to you gentlemen: This year, up to August 31, the number of cars inspected was 276,944. The total number of cars reinspected, which means where the parties called for reinspection, was 57,394. You understand that comes out of the total number. Fifty-seven thousand three hundred and ninety-four were reinspected, which means 20.7 per cent of the total.

Mr. TOWNSEND. How many men inspected those during the year?

Mr. STAPLES. Twenty-four.

Mr. TOWNSEND. How many does that make a day?

Mr. STAPLES. I should have to divide the number. Of course, they do not come in that way. In our busy season we get 800 cars a day sometimes, and in our slack season 200 or 300.

Mr. STEVENS. The committee might not understand the facility with which you handle that 800 cars. Just explain what you do when the cars come in from North Dakota or Minnesota.

Mr. STAPLES. I have tried to explain. We have men, for instance, located out at Staples.

Mr. STEVENS. Where is that?

Mr. STAPLES. That is, as I remember, perhaps 150 miles north of St. Paul.

Mr. STEVENS. That is what I wanted to get.

Mr. STAPLES. On the Northern Pacific.

Mr. STEVENS. And you have men on the Great Northern also?

Mr. STAPLES. We have also at Willmar.

Mr. STEVENS. Where is that?

Mr. STAPLES. About 160 miles north of St. Paul. It is on the line where the grain would come in. We have also at Sandstone, which is southwest of Duluth.

Mr. STEVENS. How far is that from Duluth?

Mr. STAPLES. Fifty or 60 miles.

Mr. STEVENS. What I want to get is the time that elapses, that you take advantage of.

Mr. STAPLES. We go out and intercept a train as it is coming in and take these official samples, as I have described, and seal them up in a sack and express them in locked bags on the first train to the office, where these cars of grain are going.

Mr. HUBBARD. Putting the car number on each package?

Mr. STAPLES. Yes, sir. Now, the inspector who takes those samples does not know whether those samples came from North Dakota or from Minnesota, or where they came from.

Mr. RYAN. He does not see the bills of lading at all?

Mr. STAPLES. No, sir. The inspector takes the samples from every car in the train into the office, and spreads them out on the table and makes his inspection. He has the man right at his shoulder, and if he wants any information he asks him. He will say, for instance, "How did you inspect car so and so" that is going to arrive. The man gives him his inspection, and if he is dissatisfied he calls for a reinspection, and if he is still dissatisfied he calls for an appeal to the appeal board.

Mr. STEVENS. How long does that take?

Mr. STAPLES. That appeal is taken in most cases before the freight train comes in with the grain, because freight trains move very slowly.

Mr. STEVENS. The reinspection takes place when the train comes in?

Mr. STAPLES. If anybody wants it we go to the car and get a new sample.

Mr. HUBBARD. Are the reinspections usually made on new samples, on different samples from those on which the original inspection was made?

Mr. STAPLES. If either party asks for it; otherwise not.

Mr. HUBBARD. Otherwise not?

Mr. STAPLES. Yes.

Mr. STEVENS. Then it goes to the board of appeals that very day?

Mr. STAPLES. Yes; and I wish to say in that connection that the party, the consignee of this grain, has obtained samples himself through an official bureau, which secures samples of all cars, independent of our department, for the consignees.

Mr. HUBBARD. In the same way as you secure yours?

Mr. STAPLES. Yes, sir.

Mr. RYAN. Why is it that only such a small percentage of the grain goes through the public licensed warehouses?

Mr. STAPLES. You ask why it is?

Mr. RYAN. Yes.

Mr. STAPLES. It is because of these samples which are taken by the sampling bureau and are placed upon the chamber of commerce tables, which enable the shipper of the grain to sell his grain practically upon sample for all it is worth, and he can not afford to put it into a public house and pay the cost of purifying and cleaning the grain.

Mr. RYAN. He has sent it through a private house?

Mr. STAPLES. Many times it goes to the flouring mill. Now, you take low-grade grain, and take years when we have short crops, and all that character of grain goes to Minneapolis, because they have the mills there who bid for it and they pay all that it is worth. They are not so much interested in the grade as they are in its value, and while the grain grades only No. 2 northern under the rules, yet the shipper, if it is up near the line of No. 1, will get a No. 1 price, and that is what I tried to explain to you, that there was that difference of 2, 3, 4, or 5 cents on the same day on the same class of grain.

Mr. STEVENS. If the low-grade grain has the milling value in it, by sending it to the milling point the shipper will get the value of it?

Mr. STAPLES. Yes, sir.

Mr. HUBBARD. The reinspections are about 10 per cent of the inspections.

Mr. STAPLES. Now, I will go on with this. The number of cars sustained on reinspection was 58.3 per cent of the number originally inspected, or 33,429, the total number of cars being 57,394, which makes the difference 23,965, or 41.7 per cent, on reinspection. The total number appealed out of the 276,944, for reinspection, is 33,036 cars, which is 11.9 per cent of the total number where they took appeals to the appeal board, and the total of cars sustained on appeals is 21,453, which is 37.3 per cent of the reinspections. The total cars changed on appeals is 11,583, which is 4.2 per cent of the original number of cars inspected which are changed by the appeal board, which proves the statement that I made, that in 95.8 per cent the original inspection is correct.

The CHAIRMAN. So, the original inspection is not appealed from.

Mr. STAPLES. I beg your pardon; I have shown a great number of appeals taken.

The CHAIRMAN. What is the percentage of those that are reversed, where appeals are taken?

Mr. STAPLES. I have given you that. I will do so again. Total cars appealed, 11.9 per cent.

The CHAIRMAN. Those are sustained?

Mr. STAPLES. No; the percentage of the total number of cars is 11.9 per cent where they took appeals.

The CHAIRMAN. Yes.

Mr. STAPLES. Now, the total percentage of changes is only 4.2 per cent.

Mr. TOWNSEND. Reversals.

The CHAIRMAN. That is, those appealed from and those not appealed from, that is the percentage of the gross number inspected?

Mr. STAPLES. The total number of cars inspected was 276,944. I am speaking for one year.

The CHAIRMAN. Yes.

Mr. STAPLES. Now, the total cars out of that number in which appeals were taken was 33,036 cars, which equals 11.9 per cent of the total number of cars. The total cars sustained on appeal out of that 33,036, the number of cars in which the inspection was sustained, is 21,453, which equals 37.3 per cent. Now, the total number of cars changed on appeal was 11,583, and 11,583 is 4.2 per cent of the total number of cars inspected.

The CHAIRMAN. Yes.

Mr. HUBBARD. What changes were there on the reinspection?

Mr. STAPLES. The total of cars reinspected was 37,394, which was 20.7 per cent of the total number, and the total cars original grade and dockage sustained out of that number was 33,429, which is 58.3 per cent of the total number of inspections changed.

Mr. HUBBARD. Then there were 41.7 per cent changed on reinspection?

Mr. STAPLES. Yes.

Mr. HUBBARD. Very good. Do you not want to add those to the changes on appeals?

Mr. STAPLES. No, sir; because that is final.

Mr. STEVENS. That is final so far as that goes?

Mr. STAPLES. Yes, sir; so far as that goes that is final.

Mr. HUBBARD. What I wanted to get at was the percentage of the original cars the grades of which were changed, whether on reinspection or by the board of appeals.

Mr. STAPLES. I have given you that; it is 4.2 per cent. I have here, which I have given you, the total number of bushels which are ground into flour. In exact figures it is 123,317,515 bushels.

Mr. STEVENS. Before you close I wish you would state whatever information you have about your certificates being received in export trade—that is, received abroad. What does your commission know about that?

Mr. STAPLES. That is a very pertinent question, and I wish to cast no reflections upon anybody, but I wish to answer your question, and I can only answer it in this way. Since I have been connected with the department, which is seven years, I know of five or six complaints which have come from European buyers of grain which was bought on Duluth or Minnesota inspection. In these cases they complained that the grain was not equal to the grade claimed under our rules and they returned samples of the grain received at those ports to our department, and I will say those samples did not in any respect represent the grains which were sent out on our certificates, samples of which are always retained in our office, where the original inspection is made.

Mr. RYAN. To what do you attribute that change?

Mr. STAPLES. I have absolutely no knowledge of the proposition at all. I have absolutely no knowledge of the practices and methods or means by which grain goes from our seaboard ports, and I am unable to give you information on that.

Mr. RYAN. Somebody had substituted something different from what you sampled and graded and sent out?

Mr. STAPLES. That is the unavoidable inference.

Mr. RICHARDSON. Or else the sample which was sent abroad was not a true sample; perhaps that was the case?

Mr. STAPLES. I do not know. I just give you the information.

Mr. ESCH. Yes; and we can draw our own conclusion.

Mr. STAPLES. Yes.

Mr. ESCH. Then your inspection would not prevent adulteration or mixing at some point between your station and the seaboard?

Mr. STAPLES. It would not.

Mr. ESCH. Would that be an argument for Federal inspection?

Mr. STAPLES. For instance, no carload inspected at Duluth can go through to a foreign port without being transferred at least twice.

Mr. ESCH. So that there are opportunities for changes to occur?

Mr. STAPLES. Yes. You understand, I mean no reflection.

Mr. ESCH. Yes; we understand that; but we are trying to get at the necessity for Federal legislation.

Mr. STAPLES. I have no knowledge of the methods at seaboard ports, and I do not wish to be understood as making any reflections on them, or suggesting that the grain is being tampered with.

Mr. BARTLETT. It would be just as easy for the European buyer to send you a wrong sample as it would be for somebody to change the grain?

Mr. STAPLES. Yes, sir.

Mr. RICHARDSON. But the inference from all your statement is that the present State system of inspection is efficient and can not be improved by turning it over to the Federal Government.

Mr. STAPLES. Of course, that is making a proposition, a statement, that sounds a little like bragging.

Mr. RICHARDSON. No; it does not.

Mr. STAPLES. But I speak, gentlemen, from a long knowledge and close study of this question, and from conversation with many men engaged in the grain business, and with farmers, and I certainly have not any prejudice. While I take pride in our department, I feel justified in saying that our service is an efficient service.

Mr. STEVENS. One more question I think the committee would like to hear about. Several years ago there was great complaint about the grain inspection of Minnesota, which culminated in an investigation in 1899. Changes have been made, and since that time the farmers of Minnesota, I understand, are well satisfied with the system of Minnesota inspection?

Mr. STAPLES. I think so.

Mr. STEVENS. Now, why is it that the farmers of Minnesota do not complain of the Minnesota inspection and the farmers of North Dakota do complain, more or less, of the same inspection?

Mr. STAPLES. That can be explained in a few words. It is because of the close supervision of Minnesota, and the lack of supervision in North Dakota.

Mr. STEVENS. At the local warehouses?

Mr. STAPLES. At the local warehouses.

Mr. STEVENS. You think that if North Dakota exercised the power that is used in Minnesota, there would be no more complaints in North Dakota than in Minnesota?

Mr. STAPLES. I think I can say that I know it.

Mr. HUBBARD. Explain how a local supervision at the local warehouse would operate to satisfy a North Dakota farmer.

Mr. STAPLES. I would be glad to do it. I will be glad to answer the question.

Mr. HUBBARD. You can state briefly.

Mr. STAPLES. I have tried to show that we have men who are supervisors of the country elevators, and who are on the road all the time. Four years ago we had complaints from the farmers of a certain station in our State that the spread between Minnesota and the local market was altogether too wide, and they were very bitter about it, and our entire commission went down there and made an official investigation, and there were 125 farmers there, and they evidenced that they were right about it. We ordered the railroad company to put in a loading platform and afford facilities for loading grain there. They did put in a loading platform. There has never been a carload of grain shipped over the platform, and there has never been a complaint. That is an evidence of practical supervision. It means simply that when the spirit was among the people, and they were afforded the opportunity to ship their own grain, the local buyers saw to it that the market was right.

Mr. RICHARDSON. Do you not think it would have been very much more difficult and much less efficient if you had been called upon in reference to anything of that kind to have come to Washington, instead of handling it locally there?

Mr. STAPLES. I have tried to say that I think it is too far removed from the people.

Mr. RICHARDSON. Yes.

Mr. STAPLES. The people depend upon our commission.

Mr. RICHARDSON. It is too far from those who are interested?

Mr. STAPLES. Mr. Chairman, I will say there are 1,721 country elevators in our State. One hundred and fifty-six of them are farmers' elevators, 320 are independent. In the State of North Dakota there are 1,109 country elevators, of which 60 are independent elevators.

The CHAIRMAN. What do you mean by independent elevators?

Mr. HUBBARD. Farmers' elevators.

Mr. STAPLES. You go in and build an elevator and buy grain. A line company is a company which has its offices at Minneapolis, and has a line of elevators, anywhere from seven to twenty or thirty. We call those line companies.

Mr. BARTLETT. What are farmers' elevators?

Mr. STAPLES. That is where a large number of farmers get together and take shares, anywhere from \$10 to \$100 each, and build an elevator, and their aim is to ship their own grain from their own elevators.

Mr. BARTLETT. Like we have ginners down in our country.

Mr. STAPLES. And I want to say in that connection that a prominent gentleman in the State of North Dakota told me not long ago that he was a stockholder in a farmers' elevator in North Dakota—I do not care to give the station or his name, but he told me this—and that in the operation of their elevator the first year they paid in profits the cost of their elevator, which was \$4,300.

Mr. RYAN. In talking about the inspection you always use the words "carload lots." Is that taken in shiploads, vessel loads, going out?

Mr. STAPLES. They are affected in the same way, except we take many more samples. The inspector is right there when a vessel is loaded, and keeps taking samples constantly; and I will say that

many times we have occasion to shut the stream off, and we exercise that power without question and that stops the whole plant until they furnish the grain that comes up to the quality our department requires.

Mr. RYAN. Mr. Richardson, those farmers that you said built that elevator and paid for it in such a short time, did they have the wheat that was put in there graded?

Mr. STAPLES. No, sir; not locally.

Mr. RICHARDSON. It was not graded until it left that independent elevator and went to the terminal?

Mr. STAPLES. No, sir.

Mr. RICHARDSON. To the official elevator?

Mr. STAPLES. To the terminal market; yes, sir. Here is a statement marked "Exhibit A" that I desire to submit, which covers the entire business for the year 1907 of 647 elevator companies in the State of Minnesota, showing all their receipts in wheat, all their shipments in wheat, all their receipts in flax, and all their shipments in flax. I will not take the time to read it, but I want to offer this as a very important point upon that question.

The statement referred to is here inserted in the record, as follows:

EXHIBIT A.

Statement showing receipts and shipments of wheat and flax by thirty line elevator companies operating 647 elevators in State of Minnesota for crop year ending June 30, 1907.

Name of elevator company.	Number of elevator.	Wheat.		Flax.	
		Receipts.	Shipments.	Receipts.	Shipments.
		<i>Bushels.</i>	<i>Bushels.</i>	<i>Bushels.</i>	<i>Bushels.</i>
Andrews & Gage.....	21	482,010	481,219	61,757	61,376
Atlantic Elevator Co.....	27	682,924	682,560	138,446	138,642
Atlas Elevator Co.....	10	147,502	147,340	14,199	13,951
Bennett Grain Co.....	10	136,127	137,396	25,479	25,869
Bingham Bros.....	23	314,711	312,042	42,239	41,896
E. A. Brown.....	10	25,708	25,014	6,844	6,781
Cargill Elevator Co.....	27	864,662	864,785	141,888	102,176
Crown Elevator Co.....	15	246,125	246,765	30,685	31,125
Duluth Elevator Co.....	36	748,336	738,779	143,790	144,326
Empire Elevator Co.....	13	326,121	326,053	32,177	32,225
Exchange Grain Co.....	9	145,687	145,615	13,242	13,354
Homestead Elevator Co.....	29	451,800	452,048	75,033	75,326
Hubbard & Palmer Co.....	27	341,162	341,251	40,274	40,448
Imperial Elevator Co.....	11	297,646	298,031	48,172	48,813
Interstate Grain Co.....	45	1,122,250	1,121,075	122,391	122,392
Milwaukee Elevator Co.....	10	28,401	28,274	49,754	49,850
Minneapolis and Northern Elevator Co.....	21	453,374	456,089	78,678	78,888
Monarch Elevator Co.....	44	863,123	861,250	202,198	187,793
National Elevator Co.....	14	406,573	406,432	75,853	75,798
Northland Elevator Co.....	13	231,889	232,102	48,537	48,620
Northwestern Elevator Co.....	49	1,076,471	1,079,646	179,306	180,975
Osborne & McMillan Elevator Co.....	19	447,313	457,318	81,072	81,408
Pacific Elevator Co.....	18	331,833	332,606	47,040	47,848
P. V. Elevator Co.....	20	209,744	209,462	12,260	12,247
Pierce, Stephenson Co.....	19	48,544	48,553	98,186	94,032
St. Anthony and Dakota Elevator Co.....	39	829,168	830,413	177,426	173,244
Sheffield Mill and Elevator Co.....	16	769,719	723,524	27,745	26,832
State Elevator Co.....	12	381,313	381,313	17,727	17,727
Thorpe Elevator Co.....	21	306,226	305,693	76,153	76,549
G. W. Van Dusen Co.....	19	265,996	265,289	75,087	75,466
Total.....		12,982,958	12,937,946	2,178,638	2,125,977

I want to submit also a statement showing the average local and terminal dockage of the same number of elevators for the same time. (The statement referred to is as follows:)

EXHIBIT B.

Statement showing average local and terminal dockage of thirty line elevator companies operating 647 elevators on wheat and flax for the crop year ending June 30, 1907.

Total receipts, wheat.....	bushels..	12,982,958
Total receipts, flax.....	do....	2,178,638
Total dockage, wheat (local).....	do....	546,942
Total dockage, wheat (terminal).....	do....	514,941
Total dockage, flax (local).....	do....	211,443
Total dockage, flax (terminal).....	do....	197,747
Average local dockage, wheat.....	ounces..	42 $\frac{3}{4}$
Average terminal dockage, wheat.....	do....	38 $\frac{1}{8}$
Average local dockage, flax.....	do....	87 $\frac{1}{8}$
Average terminal dockage, flax.....	do....	81 $\frac{1}{4}$

The total receipts of wheat were 12,982,958 bushels, and the total receipts of flax were 2,178,638 bushels. I have here the total dockage in pounds, but I will not read that. I will give you the average local dockage of wheat at the country point. The average upon all these shipments was 42 $\frac{3}{4}$ ounces per bushel. The terminal dockage upon the same grain was 38 $\frac{1}{8}$ ounces, which means that there was just the difference between 38 $\frac{1}{8}$ and 42 $\frac{3}{4}$ ounces between the local and the terminal dockage, which, it seems to me, speaks well for Minnesota inspection of country elevators. Local dockage of flax at the country elevators was 87 $\frac{1}{8}$ ounces, and the dockage at our terminals was 81 $\frac{1}{4}$ ounces per bushel.

Mr. Chairman, I have a statement which shows not only the date, the car number, the initial of the car, the amount of dockage, and the weight of the shipments from the Farmers' Cooperative Elevator Company of Granville, N. Dak., but it includes every shipment they made between September 30 and December 13, and every one of those cars was graded No. 1 at the terminal point. That is an evidence to me that they are not undergraded at the terminal point. I have no knowledge as to how that flax was graded at the local elevator. This statement shows the shipments by the Farmers' Cooperative Elevator Company of Granville, N. Dak., of wheat, durum wheat, giving the details and car number of every shipment between September 20 and June 12 of this past year. Every car except one was graded No. 1 at the terminals. That car was graded No. 2.

Mr. RYAN. If anything it was graded up instead of down.

Mr. STAPLES. I do not know how they could ask a higher grade. I do not know what was the local grade. We have taken these farmers' companies because we believed they ought to represent the farmers, if any organization would. That is the spring wheat. It gives the spring wheat shipped to Duluth, every car shipped between September 18 and December 14, 1907. Of 18 cars of spring wheat, 10 were graded No. 1, 7 cars No. 2, and 1 car No. 3.

Mr. RYAN. In Senator McCumber's statement he said that he did not in any case refer to 1907. You have not, in any of your information here submitted, taken any year but 1907, have you?

Mr. STAPLES. No, sir; I have not anything available. This, I may say, was obtained specially, and it was very difficult to obtain

it. It was a great deal more work than you dream of to go out there and follow up our records in our office and find out the grades.

Mr. RICHARDSON. The grading at the terminals, you say, shows that the parties had not any complaint at all?

Mr. STAPLES. Yes, sir. I have here also a statement of the Robinson Elevator Company, an independent company, which shows the shipment of 24 cars of flax between September 4, 1907, and November 30, 1907, and everyone of the cars was graded No. 1.

Mr. RICHARDSON. What is the fact about it in that connection; is this complaint coming from the producers or from middle men?

Mr. STAPLES. I am unable to say. I want to say frankly that I believe that the farmers of North Dakota feel that there is something wrong. I want to do them that justice.

Mr. RICHARDSON. How can they feel that, with that grading?

Mr. STAPLES. Any farmer that ships his grain from North Dakota and comes down to our department, and many of them do, goes back satisfied; but we can not see them all.

Mr. HUBBARD. You think if they had inspection like Minnesota has their complaints would disappear?

Mr. STAPLES. Yes, sir; I do. I do not think I should take up any more time of the committee now.

The CHAIRMAN. What is the cost of your system of grain inspection, as far as you can separate it?

Mr. STAPLES. I gave you the cost. You mean the aggregate?

The CHAIRMAN. Yes.

Mr. STAPLES. It is \$142,000 a year. That is, it is about that.

Mr. ESCH. It is practically self-sustaining?

Mr. STAPLES. It must be self-sustaining. I gave you the fees. If the fees run high so that we get a surplus, we cut the fees down. We regulate that under our law. I would like to file these statements from these independent companies with the committee.

(The statements referred to are as follows:)

EXHIBIT C.

FARMERS' COOPERATIVE ELEVATOR COMPANY, GRANVILLE, N. DAK.

Flax shipped to Duluth.

Date of shipment.	Car No.	Initial.	Grade.	Dockage.	Weight.
				<i>Per cent.</i>	
September 30.....	22154	G. N.	No. 1....	7	60, 770
October 9.....	33280	G. N.	No. 1....	3	86, 770
October 15.....	22388	G. N.	No. 1....	5½	87, 070
October 26.....	27942	G. N.	No. 1....	4	86, 750
November 5.....	42748	G. N.	No. 1....	4	86, 960
November 7.....	120208	G. N.	No. 1....	4½	No record.
November 13.....	123122	G. N.	No. 1....	5	87, 080
November 16.....	43364	G. N.	No. 1....	9½	86, 940
November 19.....	123644	G. N.	No. 1....	5	87, 600
November 30.....	30634	G. N.	No. 1....	6½	83, 670
December 9.....	34158	G. N.	No. 1....	17½	85, 820
December 17.....	121816	G. N.	No. 1....	17	76, 300

Twelve cars flax all graded No. 1.

Average terminal dockage, 7½ per cent.

By eliminating last two cars which were docked 17½ and 17 per cent, respectively, the terminal dockage is reduced to 5½ per cent.

Local dockage on 14,653 bushels was 1,382 bushels, or 10½ per cent.

FARMER'S COOPERATIVE ELEVATOR COMPANY, GRANVILLE, N. DAK.

Durum wheat shipped to Duluth.

Date of shipment.	Car No.	Initial.	Grade.	Dockage.	Weight.
September 20.....	37910	G. N.	No. 2...	1½#	92,110
October 11.....	71732	E. M.	No. 1....	3 #	66,000
October 21.....	22646	G. N.	No. 1....	3 #	86,740
November 9.....	33894	G. N.	No. 1....	2 #	89,580
November 16.....	73192	E. M.	No. 1....	4 #	63,940
November 18.....	21632	G. N.	No. 1....	2 #	66,530
December 6.....	19980	G. N.	No. 1....	2 #	68,040
December 10.....	31406	G. N.	No. 1....	2 #	88,400
December 12.....	73830	E. M.	No. 1....	2 #	65,900

Nine cars durum. All graded No. 1 except 1 car.

Average terminal dockage 2.33.

Average local dockage (9,978 bushels, docked 735 bushels) 4.42.

FARMERS' COOPERATIVE ELEVATOR COMPANY, GRANVILLE, N. DAK.

Spring wheat shipped to Duluth.

Date of shipment.	Car No.	Initial.	Grade.	Dockage.	Weight.
Sept. 18.....	74348	E. M.	No. 1° ..	2 #	65,140
Sept. 23.....	13938	G. N.	No. 1° ..	2 #	64,200
Sept. 27.....	47788	G. N.	{ No. 1° a } { No. 2° b }	3	{ 42,030 24,910
Sept. 30.....	29264	G. N.	No. 1° ..	2½#	86,430
Oct. 3.....	31702	G. N.	No. 1° ..	1 #	82,570
Oct. 8.....	24192	G. N.	No. 2° ..	2½#	86,960
Oct. 16.....	9278	G. N.	No. 1° ..	5½#	43,600
Do.....	73348	E. M.	No. 1° ..	2 #	65,160
Nov. 4.....	42858	G. N.	No. 1° ..	3 #	89,030
Nov. 20.....	15226	G. N.	No. 2° ..	2 #	65,240
Nov. 22.....	27874	G. N.	No. 1° ..	2½#	88,180
Nov. 25.....	4642	G. N.	No. 2° ..	2½#	43,580
Nov. 26.....	6530	G. N.	No. 2° ..	2½#	43,700
Dec. 2.....	29520	G. N.	No. 1° ..	2½#	87,930
Dec. 14.....	19938	G. N.	No. 1° ..	1½#	65,380

Spring wheat shipped to Minneapolis.

Date of shipment.	Car No.	Initial.	Grade.	Dockage.	Weight.
Dec. 3.....	40422	G. N.	No. 2° ..	2 #	87,440
Dec. 4.....	23856	G. N.	No. 2° ..	3½#	86,930
Dec. 17.....	73776	G. N.	No. 3...	1 #	66,480

a Feed barley, two-thirds of car.

b One-third of car.

Eighteen cars spring wheat, 10 graded No. 1°, 7 No. 2°, and 1 car No. 3.

Locally, out of a total of 18,938 bushels, 11,212 bushels were graded No. 1°, 6,258 bushels No. 2°, and 1,468 bushels lower than 2°.

Terminal dockage averaged 2-4/9#.

Local dockage on 18,938 bushels was 1,493 bushels, or an average of 4.2#.

FEDERAL INSPECTION OF GRAIN.

ROBINSON ELEVATOR COMPANY, MINOT, N. DAK.

(Independent company.)

Flax shipped to Duluth.

Date of shipment.	Car No.	Initial.	Grade.	Dockage.	Weight.
				<i>Per cent.</i>	
September 4.....	8302	G. N.	No. 1...	5	30,660
September 24.....	23142	G. N.	No. 1...	13	85,220
September 25.....	36282	G. N.	No. 1...	5	83,070
October 1.....	12022 ^a	G. N.	No. 1...	8 ¹ / ₂	85,670
October 5.....	121650	G. N.	No. 1...	4 ¹ / ₂	88,210
October 10.....	123210	G. N.	No. 1...	18	83,290
October 10.....	121848	G. N.	No. 1...	7 ¹ / ₂	86,370
October 12.....	34950	G. N.	No. 1...	4	88,270
October 13.....	15202	G. N.	No. 1...	4	64,500
October 14.....	121130	G. N.	No. 1...	3	87,150
October 15.....	40984	G. N.	No. 1...	3 ¹ / ₂	90,120
October 17.....	43512	G. N.	No. 1...	6	88,240
October 18.....	36874	G. N.	No. 1...	7 ¹ / ₂	86,720
October 22.....	34188	G. N.	No. 1...	3	85,760
October 25.....	125574	G. N.	No. 1...	13	89,480
October 26.....	125710	G. N.	No. 1...	5	89,100
October 28.....	28512	G. N.	No. 1...	2	85,140
November 6.....	37636	G. N.	No. 1...	5 ¹ / ₂	91,360
November 9.....	26574	G. N.	No. 1...	5	85,270
November 9.....	125770	G. N.	No. 1...	8	85,180
November 19.....	121336	G. N.	No. 1...	6 ¹ / ₂	87,460
November 22.....	40280	G. N.	No. 1...	4 ¹ / ₂	86,940
November 26.....	42118	G. N.	No. 1...	4 ¹ / ₂	84,270
November 30.....	100046	G. N.	No. 1...	6 ¹ / ₂	82,540

^a Dirty bottom.

Twenty-four cars flax. All graded No. 1 except one car (G. N. 28512), which went No. 1 after cleaning.

This car is eliminated in computing terminal dockage. Also car No. 123210, marked "dirty bottom."

Terminal dockage averaged 6 per cent, or 3.36# per bushel. Local dockage on 39,778 bushels was 2,491 bushels, averaging 3¹/₂# per bushel.

FARMERS' ELEVATOR COMPANY, MOHALL, N. DAK.

Spring wheat shipped to Duluth.

Date of shipment.	Car No.	Initial.	Grade.	Dockage.	Weights.
September 20.....	31284	G. N.	1 ^o	3 ¹ / ₂ #	86,240
Do.....	32038	G. N.	1 ^o	4 #	93,560
September 23.....	23778	G. N.	1 ^o	4 #	88,010
September 28.....	73734	E. M.	1 ^o	1 #	59,280
Do.....	40522	G. N.	1 ^o	2 ¹ / ₂ #	99,410
October 1.....	23414	G. N.	2 ^o	3 #	85,430
October 3.....	7754	G. N.	1 ^o	2 #	48,220
October 10.....	42394	G. N.	1 ^o	2 ¹ / ₂ #	108,650
October 17.....	120008	G. N.	1 ^o	2 ¹ / ₂ #	106,960
November 9.....	76116	E. M.	1 ^o	3 #	72,240
November 11.....	11862	G. N.	2 ^o	3 #	65,150
November 18.....	42850	G. N.	1 ^o	2 ¹ / ₂ #	101,940
November 20.....	16262	G. N.	2 ^o	2 ¹ / ₂ #	67,000
November 22.....	3054	G. N.	1 ^o	2 #	51,820
Do.....	16316	G. N.	1 ^o	3 #	53,550
November 23.....	6552	G. N.	1 ^o	3 #	49,700
November 26.....	29568	G. N.	2 ^o	3 #	96,350
Do.....	10728	G. N.	1 ^o	2 #	50,380

Eighteen cars. Fourteen grade No. 1^o and 4 No. 2^o.

Average terminal dockage, 0.0272# per bushel.

Average local dockage was 0.0296# per bushel.

The elevator is thus ¹/₂# ahead on the dockage, which on 39,955 bushels amounts to 166 bushels. Of this 2,016 bushels were bought for No. 2^o, 217 bushels for No. 3, and 279 bushels at a lower grade than No. 3.

FEDERAL INSPECTION OF GRAIN.

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FARMERS' ELEVATOR COMPANY, MOHALL, N. DAK.

Flax shipped to Duluth.

Date of shipment.	Car number.	Initial.	Grade.	Dockage.	Weight.
				<i>Per cent.</i>	
September 10.....	70366	E. M.	No. 1...	1½	32,100
October 15.....	30184	G. N.	No. 1...	6½	104,020
October 19.....	121232	G. N.	No. 1...	2½	98,620
October 21.....	40312	G. N.	No. 1...	10	103,710
November 2.....	31164	G. N.	No. 1...	7½	No record.
November 8.....	72186	E. M.	No. 1...	8	68,320
November 23.....	124080	G. N.	No. 1...	6½	84,880
November 25.....	76238	E. M.	No. 1...	6½	59,790
November 25.....	47808	G. N.	No. 1...	8½	71,510
November 25.....	71720	E. M.	No. 1...	8½	66,100
November 26.....	124574	G. N.	No. 1...	6½	94,800
November 26.....	23364	G. N.	No. 1...	11½	87,760
November 29.....	40262	G. N.	No. 1...	12½	85,660

Twelve cars. All graded No. 1.

Omitted car, No. 121232.

Average terminal dockage, .0783 per cent.

Average local dockage, .0768 per cent. This is 1,141 bushels dockage on 14,854 bushels. This is a difference of 15/100 per cent in favor of the local elevator.

FARMERS' ELEVATOR COMPANY, MINOT, N. DAK.

Flax shipped to Duluth.

Date of shipment.	Car No.	Initial.	Grade.	Dockage	Weight.
				<i>Per cent.</i>	
August 17.....	9886	G. N.	(a)	-----	(a)
September 23.....	74986	E. M.	1	4	62,640
September 27.....	34934	G. N.	1	11	83,000
September 30.....	121240	G. N.	1	8	86,530
October 1.....	40048	G. N.	1	10½	85,350
October 7.....	42856	G. N.	1	11½	83,370
October 8.....	124256	G. N.	1	5½	82,790
Do.....	121138	G. N.	1	12	80,960
October 10.....	124902	G. N.	1	9	85,320
October 12.....	28272	G. N.	1	5½	88,520
Do.....	123120	G. N.	1	6½	89,690
October 14.....	43524	G. N.	1	5	86,630
October 15.....	124938	G. N.	1	8	88,680
Do.....	122398	G. N.	1	5	92,510
October 16.....	124404	G. N.	1	8	90,270
October 18.....	42638	G. N.	1	7½	89,840
Do.....	40962	G. N.	1	3½	94,500
October 19.....	28436	G. N.	1	4	86,360
October 21.....	31206	G. N.	1	6	90,600
Do.....	33744	G. N.	1	4	90,000
October 23.....	125632	G. N.	1	4	91,840
Do.....	125612	G. N.	1	6½	90,500
October 25.....	42180	G. N.	1	5	92,780
October 26.....	29096	G. N.	1	7½	90,860
November 4.....	b 33548	G. N.	1	30	97,360
Do.....	35136	G. N.	1	3½	91,340
November 8.....	18026	G. N.	1	5½	80,060
Do.....	b 20616	G. N.	1	25	79,840
November 9.....	121166	G. N.	1	3	90,580
Do.....	123880	G. N.	1	5	89,620
November 14.....	17984	G. N.	1	7	76,750
Do.....	27616	G. N.	1	8	92,600
November 15.....	100474	G. N.	1	7½	91,280
Do.....	47910	G. N.	1	13	81,710
November 16.....	74664	E. M.	1	7½	66,860
Do.....	37348	G. N.	1	9	86,800
November 18.....	101546	G. N.	1	10½	88,990
November 20.....	120052	G. N.	1	8½	89,310
November 22.....	36478	G. N.	1	5	93,220
Do.....	120894	G. N.	1	12½	92,000
November 26.....	27654	G. N.	1	5	84,830
November 27.....	20058	G. N.	1	15	61,590
November 29.....	122730	G. N.	1	7	88,040
Do.....	76216	E. M.	1	10½	65,560
November 30.....	46764	G. N.	1	10½	64,770

a No record.

b Unevenly loaded.

Fourteen carloads flax, all graded No. 1. Average terminal dockage on 42 cars, 7½ per cent. This omits cars 33558 and 20616, unevenly loaded. Seven and one-third per cent is not a high dockage on flax. The local records did not show the dockage.

FARMERS' ELEVATOR COMPANY, MINOT, N. DAK.

Durum wheat shipped to Duluth.

Date shipment.	Car No.	Initial.	Grade.	Dockage.	Weight.
September 6.....	6142	G. N.	1	2½	42,820
September 28.....	17208	G. N.	1	2	68,240
October 4.....	19992	G. N.	1	3½	64,490
October 17.....	32630	G. N.	N. G.	4½	90,600
October 25.....	20834	G. N.	2	5	74,260
November 20.....	72052	E. N.	1	2	68,400
November 25.....	14614	G. N.	1	1½	54,110
December 11.....	34072	G. N.	1	1½	89,950

Eight cars durum, six graded No. 1, one No. 2, and one car no grade. Average terminal dockage, 3½. Eliminating two cars, one of which was "hot in end" and which graded N. G., and the other, which contained "flax in bottom," it leaves the terminal dockage at 2½. Local dockage on 9,186 bushels was 565 bushels, an average of 3.67%.

I wish to file also with your committee here a resolution passed by the North Dakota legislature, and the reply made to it by the Minnesota legislature; and I have more data, but I do not feel that I ought to burden this committee any longer. I wish to file a copy of our grade rules, and I wish very much to have the committee listen to Mr. Hall. He is a representative farmer of Minnesota, and I am sure that he will be but a few moments. I will be glad to answer any further questions.

The grade rules referred to are as follows:

MINNESOTA GRADES.

In compliance with the provisions of section 2062, chapter 28, revised laws of 1905, the joint Minneapolis and Duluth grain inspection boards (board of appeal), met this day and established the following grades of grain, which shall be known as "Minnesota grades," the same to take effect and be in force on and after the 4th day of September, 1907.

A. F. EVENSON, *General Chairman.*

W. F. KELSO, *General Secretary.*

Minneapolis grain inspection board: A. F. Evenson, chairman; S. P. Thorson, W. F. Kelso, secretary.

Duluth grain inspection board: T. B. McManus, chairman; H. M. Gray, Hans P. Bjorge, secretary.

Chief inspector: F. W. Eva, St. Paul.

Chief deputies: J. N. Barncard, Minneapolis; H. E. Emerson, Duluth.

NORTHERN SPRING WHEAT.

No. 1 hard spring wheat shall be sound, bright, sweet, clean, and consist of over 50 per cent of hard Scotch fife, and weigh not less than 58 pounds to the measured bushel.

No. 1 northern spring wheat shall be sound, sweet and clean, may consist of the hard and soft varieties of spring wheat, but must contain a larger proportion of the hard varieties, and weigh not less than 57 pounds to the measured bushel.

No. 2 northern spring wheat shall be spring wheat not clean enough or sound enough for No. 1, but of good milling quality, and must not weigh less than 56 pounds to the measured bushel.

No. 3 northern spring wheat shall be composed of inferior, shrunken, spring wheat and weigh not less than 54 pounds to the measured bushel.

No. 4 northern spring wheat shall include all inferior spring wheat that is badly shrunken or damaged, and weigh not less than 49 pounds to the measured bushel.

Rejected spring wheat shall include all varieties of spring wheat sprouted, badly bleached, or for any other cause unfit for No. 4.

NOTE.—Hard, flinty wheat, of good color, containing no appreciable admixture of soft wheat, may be admitted into the grades of No. 2 northern spring and No. 3 northern spring wheat, provided weight of the same is not more than one pound less than the minimum test weight required by the existing rules of said grades, and provided further for such wheat is in all other respects qualified for admission into such grades.

WHITE WINTER WHEAT.

No. 1 white winter wheat shall include all varieties of pure, soft, white winter wheat, sound, plump, dry, sweet and clean, and weigh not less than 58 pounds to the measured bushel.

No. 2 white winter wheat shall include all varieties of soft, white winter wheat, dry, sound, and clean, may contain not more than 5 per cent of soft red winter wheat, and weigh not less than 56 pounds to the measured bushel.

No. 3 white winter wheat shall include all varieties of soft, white winter wheat, may contain 5 per cent of damaged grains other than mow-burnt wheat, and may contain 10 per cent of soft red winter wheat, and weigh not less than 53 pounds to the measured bushel.

RED WINTER WHEAT.

No. 1 red winter wheat shall be pure red winter wheat of both light and dark colors, sound, sweet, plump, and well cleaned, and weigh not less than 60 pounds to the measured bushel.

No. 2 red winter wheat shall be red winter wheat of both light and dark colors; shall not contain more than 5 per cent of white winter, sound, sweet, and clean, and weigh not less than 58 pounds to the measured bushel.

No. 3 red winter wheat shall be sound, red winter wheat, not clean and plump enough for No. 2; shall not contain more than 5 per cent of white winter, and weigh not less than 55 pounds to the measured bushel.

WESTERN WHITE AND RED WHEAT.

No. 1 western white shall be sound, well cleaned, plump, and composed of the western varieties of white wheat.

No. 2 western white shall be sound, reasonably clean, and composed of western varieties of white wheat.

No. 3 western white shall be composed of all western white wheat fit for warehousing, weighing not less than 54 pounds to the measured bushel, and not sound enough or otherwise fit for the higher grades.

Rejected western white shall comprise all western white wheat fit for warehousing but unfit for higher grades.

NOTE.—Western red wheat and western wheat shall correspond in all respects with the grades of Nos. 1, 2, 3, and rejected.

DURUM (MACARONI) WHEAT.

No. 1 durum wheat shall be bright, sound, dry, well cleaned, and be composed of durum, commonly known as macaroni wheat, and weigh not less than 60 pounds to the measured bushel.

No. 2 durum wheat shall be dry, clean, and of good milling quality. It shall include all durum wheat that for any reason is not suitable for No. 1 durum, and weigh not less than 58 pounds to the measured bushel.

No. 3 durum wheat shall include all durum wheat bleached, shrunken, or for any cause unfit for No. 2, and weigh not less than 55 pounds to the measured bushel.

No. 4 durum wheat shall include all durum wheat that is badly bleached, or for any cause unfit for No. 3.

MIXED WHEAT.

In case of any appreciable admixture of durum, western, winter, or western white and red wheat with Minnesota grades of northern spring wheat or with each other, it shall be graded according to the quality thereof, and classed as Nos. 1, 2, 3, etc., mixed wheat, with inspector's notation describing its character.

CORN.

No. 1 corn shall be corn of various colors, sound, plump, and well cleaned, and should contain not more than 15 per cent of moisture.

No. 2 corn shall be corn of various colors, sweet, reasonably clean, and should not contain more than 15½ per cent of moisture.

No. 3 corn shall be corn of various colors, sweet, shall be reasonably sound and reasonably clean, and should not contain more than 19 per cent of moisture.

No. 4 corn shall include all corn not wet and not in heating condition that is unfit for No. 3.

YELLOW CORN.

No. 1 yellow corn shall be 98 per cent yellow, sweet, sound, plump, and well cleaned, and should contain not more than 15 per cent of moisture.

No. 2 yellow corn shall be 90 per cent yellow, sweet, shall be reasonably clean and should not contain more than 15½ per cent of moisture.

No. 3 yellow corn shall be 90 per cent yellow, sweet, shall be reasonably clean and reasonably sound, and should not contain more than 19 per cent of moisture.

NOTE.—Nos. 1, 2, and 3 white corn shall correspond in all respects with the grades of Nos. 1, 2, and 3 yellow corn.

OATS.

No. 1 white oats shall be white, dry, sweet, sound, clean, and free from other grain and shall weigh not less than 32 pounds to the measured bushel.

No. 2 white oats shall be seven-eighths white, dry, sweet, sound, reasonably clean, and practically free from other grain, and shall weigh not less than 31 pounds to the measured bushel.

No. 3 white oats shall be seven-eighths white, dry, sweet, sound, reasonably clean, and practically free from other grain, and shall weigh not less than 28 pounds to the measured bushel.

No. 4 white oats shall include all oats not sufficiently sound and clean for No. 3 white oats and shall weigh not less than 24 pounds to the measured bushel.

Yellow oats: The grades of Nos. 1, 2, and 3 yellow oats shall correspond with the grades of Nos. 1, 2, and 3 white oats, excepting that they shall be of the yellow varieties.

No. 1 oats shall be dry, sweet, sound, clean, and free from other grain, and shall weigh not less than 32 pounds to the measured bushel.

No. 2 oats shall be dry, sweet, sound, reasonably clean and practically free from other grain, and shall weigh not less than 31 pounds to the measured bushel.

No. 3 oats shall be all oats that are merchantable and warehouseable, and not fit for the higher grades.

No. 1 clipped white oats shall be white, dry, sweet, sound, clean and free from other grain, and shall weigh not less than 40 pounds to the measured bushel.

No. 2 clipped white oats shall be seven-eighths white, dry, sweet, sound, reasonably clean and practically free from other grain, and shall weigh not less than 38 pounds to the measured bushel.

No. 3 clipped white oats shall be seven-eighths white, dry, sweet, sound, reasonably clean and practically free from other grain, and shall weigh not less than 36 pounds to the measured bushel.

RYE.

No. 1 rye shall be sound, plump and well cleaned, and shall weigh not less than 56 pounds to the measured bushel.

No. 2 rye shall be sound, reasonably clean and reasonably free from other grain, and shall weigh not less than 54 pounds to the measured bushel.

No. 3 rye: All rye slightly damaged, slightly musty, or from any other cause unfit for No. 2 shall be graded as No. 3.

BARLEY.

No. 1 barley shall be plump, bright, clean and free from other grain, and shall weigh not less than 48 pounds to the measured bushel.

No. 2 barley shall be sound, and of healthy color, not plump enough for No. 1, reasonably clean and reasonably free from other grain, and shall weigh not less than 46 pounds to the measured bushel.

No. 3 barley shall include all slightly shrunken and otherwise slightly damaged barley, not good enough for No. 2, and shall weigh not less than 44 pounds to the measured bushel.

No. 4 barley shall include all barley fit for malting purposes, not good enough for No. 3.

No. 1 feed barley must test not less than 40 pounds to the measured bushel, and be reasonably sound and reasonably clean.

No. 2 feed barley shall include all barley which is for any cause unfit for the grade of No. 1 feed barley.

Chevalier barley: Nos. 1, 2 and 3 chevalier barley shall conform in all respects to the grades of Nos. 1, 2 and 3 barley, except that they shall be of a chevalier variety, grown in Montana, Oregon and on the Pacific Coast.

No grade: All wheat, barley, oats, rye, and corn that are in a heating condition, too musty or too damp to be safe for warehousing, or that is badly bin burnt, badly damaged, exceedingly dirty, or otherwise unfit for store, shall be classed as "No grade" with inspector's notation as to quality and condition.

■ FLAXSEED.

No. 1 northwestern flaxseed: No. 1 northwestern shall be mature, sound, dry, and sweet. It shall be northern grown. The maximum quantity of field, stack, storage, or other damaged seed intermixed shall not exceed 12½ per cent. The minimum weight shall be 51 pounds to the measured bushel commercially pure seed.

No. 1 flaxseed shall be northern grown, sound, dry, and free from mustiness, and carrying not more than 25 per cent of immature or field, stack, storage, or other damaged flaxseed, and weighing not less than 50 pounds to the measured bushel of commercially pure seed.

No. 2 flaxseed: Flaxseed that is bin burnt, immature, field damaged, or musty, and yet not to a degree to be unfit for storage and having a test weight of not less than 47 pounds to the bushel of commercially pure seed, shall be No. 2 flaxseed.

No-grade flaxseed: Flaxseed that is damp, warm, moldy, very musty, or otherwise unfit for storage, or having a weight of less than 47 pounds to the measured bushel of commercially pure seed, shall be "No grade."

The following are abbreviations to be used by inspectors in designating the grades:

R. Wt. for.....	red winter
O. for.....	northern
H. for.....	hard
Wn. W. for.....	western white
Wn. R. for.....	western red
W. for.....	winter
W. Wt. for.....	white winter
Mx. for.....	mixed
Y. Corn for.....	yellow corn
W. Corn for.....	white corn
N. G. for.....	no grade
Bly. for.....	barley
Fd. for.....	feed
Du. for.....	durum

MANNER OF TESTING.

Wheat, flax, and rye shall be tested after it has been cleaned. The test kettle shall be placed where it can not be jarred or shaken. From scoop, bag, or pan, held 2 inches from top of kettle, pour into middle of same at a moderate speed until running over, striking off in a zigzag manner with the edge of beam held horizontally.

NOTE.—No grain shall in any case be graded above that of the poorest quality found in that lot when it bears evidence of being plugged or doctored.

NOTE.—Wheat scoured or otherwise manipulated, the test weight will not be considered in grading same.

NOTE.—The grades of "purified oats" or "purified barley" shall correspond with the other grades of oats and barley, except that same shall be designated as "purified."

Mr. ESCH. One question I would like to get information on, because the matter made an impression on me when Senator McCumber was giving his testimony. This report of 1907 showed that the amount graded in corresponded very closely to the amount graded out, whereas in the years 1899, 1900, 1901, 1902, and 1903 there was a very marked discrepancy, in some instances equaling twelvefold.

Mr. STAPLES. I will explain that in just a moment.

Mr. ESCH. I would like to have an explanation of that.

Mr. STAPLES. You did not quite grasp the whole thing. One applied to the grain going in and out of public elevators and the other took in all grain.

Mr. STEVENS. I read from the official report as to public elevators, and Senator McCumber took in all grain.

Mr. STAPLES. I want to show you what this bill would do. Let me give you an illustration. Somebody, we will say, ships a car of grain from Crookston, Minn., to Minneapolis. Nobody knows that that is going into interstate commerce. It will be inspected by our department without question. It is inspected, as a matter of fact,

before it gets there. The grain does go into interstate commerce afterwards. It may be sold to go to a mill, to Sleepyeye or to Montgomery, in our State, or it may be sold to go to Chicago, or any other point which would make it interstate grain. Now, that grain would certainly be subject to two inspections. There is no escape from it.

Take another illustration. We have interior milling points that do a large milling business. Take the one of Sleepyeye. They get a great amount of grain from North Dakota. They get a large amount from Minnesota. We keep an inspector there, because the people who sell to Sleepyeye will not sell their grain unless they get Minnesota inspection, and there is an inspector at Sleepyeye. Now, as to this very point, all grain that is interstate grain must be inspected. There can be no question about that. The department would certainly have to keep an inspector at Sleepyeye to inspect the grain from North Dakota, because it is interstate grain.

I could give you dozens of illustrations of that sort. We send a cargo of grain to Buffalo. It is intended to go there, but the shipper diverts that grain and sends it to Sandusky, Ohio. It is interstate grain. It must be inspected when it reaches Sandusky, Ohio. There must be an inspector there. I do not see any escape from that. We send a large amount of our grain to Duluth. Much of it is consumed locally. That which goes from there goes through a small corner of Wisconsin, and when it gets into Duluth it is sold subject to Minnesota inspection, and I do not see any escape from that. I could give you innumerable instances that would result in great confusion and would result in the appointment of inspectors at many points undreamed of by the advocates of this bill. Practically every consuming point where a carload of grain was shipped that is interstate would have to have an inspector. Every consuming point which is consuming interstate grain would have to have an inspector, because the bill provides that every carload of interstate grain must be inspected, and there is a heavy penalty if it is unloaded before it is inspected.

I would like to have more time, but I certainly feel grateful to the committee for the attention they have given me.

STATEMENT OF MR. R. J. HALL.

Mr. HALL. Mr. Chairman and gentlemen, I am a resident of Minnesota, and have been for thirty years. My business is that of a farmer in Stevens County. I early became identified with the several farmers' movements and organizations, such as the Farmers' Alliance, hail and fire insurance companies, and State Agricultural Society. I have been vice-president of the Farmers' Home Mutual Tornado and Cyclone Insurance Company, director in the Farmers' Township Mutual Hail Association, and president of the Farmers' Federation of Minnesota, I think that I can fairly represent the views of the Minnesota farmers regarding the proposed Federal inspection of grain.

A history of the efforts of the Minnesota farmers to secure State inspection of grain would show that it was at the request of the farmers of this State, represented by officers of the Farmers' Alliance, that the grain inspection laws of 1885 were enacted. These

laws as originally enacted did not include local or country supervision. This omission was found to be detrimental to the operation of the terminal inspection laws. It was intended by the inspection law that all country elevators should conform to the grades and dockage thereby established, but it was discovered after the law had been tried for a number of years that the best results could only be obtained by both terminal inspection and thorough local supervision, which would compel the local or country elevators to conform to the grading and dockage at the terminal markets. In response to a demand from the farmers of Minnesota, made through the various farmers' organizations, a country elevator law was enacted, going into effect in 1893. In 1899 again, in response to a demand by the farmers of Minnesota the so-called board of appeals law was enacted, which provided for an independent tribunal appointed by the governor of the State and standing entirely independent of the grain inspection department itself, and this board of appeals, since its creation and at this time, has final decision in all disputed cases as to grades or dockage, insuring to the farmers the fullest protection.

The men who constitute this board are appointed from all parts of the State and must be men who are in no wise engaged in the grain trade. They are under heavy bonds for the faithful and impartial performance of their duties. They are in no way connected with the large grain interests, but an impartial board for the purpose of settling disputes.

My knowledge of these matters was acquired and the action that I have taken from time to time in securing the original legislation and other legislation of this character was taken in my capacity as an officer of the old farmers' alliance and kindred farmers' organizations, such as the State agricultural society, which turned down a resolution favoring Federal inspection at its annual meeting in January of this year. In opposing the enactment at this time of a Federal-inspection law I am doing so as an officer of the Minnesota Farmers' Federation. I have reason to believe that the operation of the grain-inspection department in Minnesota as it stands to-day is much more satisfactory to the grain producers than would be a technical Federal-inspection department.

The farmers of Minnesota in their State-inspection department have a protection near at hand. They are in a position in the event of anything being wrong to go either to the railroad and warehouse commission, to the governor of the State, or to the legislature, as the case may be, to obtain relief or modification of the laws that experience may suggest. They have here their recourse right at home, and among people and officers who thoroughly understand the grain business.

The farmers of Minnesota, in view of this, would view with disapproval the establishment of a Federal system which would remove the protection which they now have in their railroad and warehouse commission, in their board of appeals, in the governor of the State, or in the legislature to the more remote seat of the General Government at Washington.

There are constantly questions arising that grow out of the operation of these departments requiring immediate investigation and relief, and it would be a tedious and cumbersome undertaking to be obliged

to appeal to the Secretary of Agriculture, or perhaps to Congress, for the relief required. For these reasons they oppose Federal inspection. They believe if, from time to time, anything should be wrong with the State system, it can be immediately taken care of.

The farmers of Minnesota also oppose Federal inspection as tending to bring about an undesired centralization of the details of smaller affairs which by right belong to the State government. They are loath to be deprived of the privilege of running their own affairs. They believe that they and the men who represent them in the halls of the State legislature and on the various boards and commissions that have charge of the public grain business have a more practical knowledge and representation than they could possibly obtain under Federal inspection. They are opposed to a technical Federal inspection which in all probability would lose sight of the practical question involved in the grading and dockage of grain. They are opposed to turning over to the Federal Government a standard of grades which has been established by virtue of the laws that they, the farmers, are responsible for, and which has given their wheat a world-wide reputation.

In conclusion I wish to say that in my opinion the trouble with the farmers of North Dakota is not the fact that the Minnesota inspection is not just to them, because in this respect they get exactly the same deal that Minnesota does, but it is apparent to me that their local system of supervision is absolutely at fault. If they applied themselves to the enactment of laws within their own State which would compel their local warehousemen to carefully respect Minnesota grades and dockage, and, in addition to that, pay the proper and correct market value for grain; the entire trouble would be regulated. The people of North Dakota have their remedy right at home. All that is necessary for them to do is to go ahead like the farmers of Minnesota have done and secure the enactment of laws that will properly protect them from local imposition.

If the honorable and able Senator from North Dakota will join the farmers of Minnesota in an effort to prevent the railroads from collecting rates that will enable them to pay dividends on that continuing and continuous fraud upon the public, watered stock, they will undertake something worthy of their best efforts, and they will do much to save themselves and posterity the splendid inheritance of liberty obtained after long years of struggle and effort by a liberty-loving people.

Thank you, gentlemen.

(At 5 o'clock p. m. the committee adjourned.)

HEARINGS

BEFORE THE

U.S.
COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE
OF THE HOUSE OF REPRESENTATIVES

ON

H. R. 6293, 6294, AND 14770

PROVIDING FOR THE INSPECTION
AND GRADING OF GRAIN

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COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
Monday, March 16, 1908.

Committee called to order at 10.40 a. m., Hon. W. P. Hepburn in the chair.

ORDER OF BUSINESS.

The CHAIRMAN. There seems to be some confusion with regard to the order of business of the committee this morning. Originally those bills that related to grain inspection were set for the 16th of the month, then some gentleman assuming to represent that interest said that that would be inconvenient, that there were a number of people in the city at that time, or about to be here, and a change was secured from that order of time. Later those who were notified of the first probable action of the committee insisted upon their date of the 16th, and are here without any formal notification and I suppose under the impression that the original date was to be observed. It is a confusion that the committee is not responsible for, because the change from the 16th was made at the instance of those who represent the same interests, and whom we supposed spoke for all. On account of the large number of gentlemen who are here, I do not know of any better way than to proceed as though this was the day upon which the hearings had been called upon the subject of grain inspection, and without objection upon the part of some member of the committee we will pursue that course.

Mr. RUSSELL. Then I understand that there will not be anybody here on these express bills.

The CHAIRMAN. There are some people here, and those gentlemen may be heard later in the day, probably.

I have a letter from Mr. Stevens to the effect that a couple of gentlemen from his State have a paper that they desire to file with the committee upon the subject of the discussion that we will pursue this morning, and without objection they may file it at a later date.

FEDERAL INSPECTION OF GRAIN.

Mr. JOHN B. DAISH. I only wish to say, Mr. Chairman, that we have a delegation here, and some of the members would like to address the committee. There has been prepared a statement showing newspaper comments upon the proposition, and also I have prepared at the request of the delegation a statement of the constitutional features involved. Both of those I will file with the stenographer for your consideration.

Those present this morning represent every phase, and I might almost say every section, of the grain growing, producing, transporting, and exporting business of the country, as well as the small country elevator and the terminal elevator at the larger markets.

I will first introduce to you Mr. George A. Wells, of Des Moines, Iowa, who is intimately connected with the farmers. I will also

introduce later Mr. Merrill, of Chicago, who knows about the elevators at the terminal markets, and Mr. Bernays, of New York, who is a grain exporter and has been for many years.

The CHAIRMAN. How much time have you assigned Mr. Wells?

Mr. DAISH. No particular time, and all of the gentlemen have been told to be brief. I appreciate the large demands upon this committee, as well as all the other committees of the House, and I have counseled the men not to duplicate their work, but to confine themselves to the distinct parts of the trade with which they are most familiar.

STATEMENT OF MR. GEORGE A. WELLS, OF DES MOINES, IOWA.

Mr. Chairman and gentlemen of the committee:

My statement will be most particularly from the standpoint of the country grain dealers and shippers whom I represent. In order to be brief, I shall refer to certain exhibits that I will prepare later and file with the committee, if this is agreeable.

It would seem to be the purpose of the McCumber bill, Senate No. 382, to establish a condition that will give the farmer more money for his grain and the foreign buyer better value for his money, the accomplishment of which must accordingly reduce the profit or compensation received by the grain trade for the service performed, the money invested, and the risk assumed in providing storage and handling facilities to accommodate the farmer so that he may sell any and all kinds of grain at any time to suit his fancy or convenience, and the consumer to buy according to his peculiar requirements, and to find markets and buyers.

The farmers market about 75 per cent of their surplus grain within three or four months after harvest in all sorts of conditions and expect the grain trade to take care of it at any and all times by keeping an open market.

Senator McCumber practically states that the grain trade of this country is robbing the farmers, which, as a general proposition, is not true. In refutation of this idea so far as country grain dealers are concerned, I have compiled reports covering 448 elevators located in the State of Iowa, which shows as follows, viz: 1, daily gross buying margin on corn, 1.8 cents per bushel; 2, daily gross buying margin on oats, 1.6 cents per bushel; 3, average annual volume of grain per elevator, 75,000 bushels; 4, average annual expense per elevator, \$1,050.

The average annual net profit per elevator is, therefore, \$225, which does not consider the loss on account of shrinkage in weight and the deterioration in quality that often occurs, especially in corn, while in the hands of the country dealer, and which is sometimes disastrous because of excessive moisture content causing the corn to heat. Forty per cent of the last Iowa corn crop was of just such a character.

I desire to submit later, to be attached herewith, under Exhibit A, certain specific statements of record as a verification of the average statement of buying margins mentioned above, and I will also state that I positively know that many of the grain firms doing business in Iowa would gladly submit to a thorough investigation of the general daily buying margins of profit as taken by them.

Senator McCumber, in his statement, deals largely with past history. The grain trade should not be held accountable to-day for conditions that existed in years gone by that do not now exist more than that a Member of Congress should be held accountable now for accepting a railroad pass in years gone by.

The discipline of the grain trade in itself as enforced through its kindred organizations, boards of trade, exchanges, and grain dealers' associations, has kept the grain trade well in line with the general improvement of business methods of recent years, and no line of business is conducted to-day with more economy, individual integrity, and honor than the grain business of this country.

Senator McCumber deals with certain conditions that are peculiar to his locality, that do not in fact exist elsewhere. He seems to recognize only two classes of grain shippers, viz, the large terminal line elevator companies and the individual farmer who ships his own grain. He ignores that large class of independent and local grain dealers.

He accuses the line elevator companies of giving arbitrary and unreasonable instructions to their agents at local stations with reference to prices, grades, and dockage. It is certainly necessary that they give their agents instructions. They could not keep their business in hand and do otherwise.

There is now in most States rigid laws that prevent combinations and agreements in restraint of trade and competition, and I understand that North Dakota has a law that requires the grain dealer to give the farmer official information as to the grading of his grain in the terminal market; thus it would seem that the farmers of North Dakota are now well safeguarded against unfair treatment by the large line elevator companies.

Senator McCumber complains that the inspection and weighing of grain as supervised by the Minnesota railroad and warehouse commission is conducted in the interests of the terminal grain trade, and against the farmer and shipper; that excessive dockage for dirt is taken, and that the grain is graded so that more of the higher grade is shipped out than is received.

In refutation of these statements I desire to submit under Exhibit B the official report of the chief grain inspector of Minnesota for the year ending August 31, 1906, and would refer you to pages 11 to 23, inclusive.

I submit herewith, under Exhibit C, the annual report of the grain inspection department of the State of Minnesota for the year ending August 31, 1907, which includes copies of the concurrent resolution adopted by the State of North Dakota, requesting the legislature of the State of Minnesota to make certain amendments to its grain inspection laws, and the concurrent resolution adopted by the Minnesota assembly in reply thereto, all of which is self explanatory.

I submit herewith, under Exhibit D, a copy of the warehouse and grain laws of the State of Minnesota and would call your attention to sections 2060-2069, inclusive, as well as the laws in general, showing the efficiency of the Minnesota grain inspection department and the disposition to protect the producer and shipper of grain. We do not believe that the Federal Government can improve the service as rendered by the State, but on the contrary that Federal inspection

with inflexible rules and red-tape methods will be cumbersome and unsatisfactory to the producer and shipper of grain.

Mr. ESCH. Do you think it would be more cumbersome and unsatisfactory than the supervision of the meat-inspection law?

Mr. WELLS. I wish to say that the inspection of meat refers to sanitary conditions only and not to grading.

Mr. ESCH. But as to the inflexibility, and all that, do you think it would be more difficult to administer a Federal grain law than the meat-inspection law?

Mr. WELLS. I do, sir; unquestionably.

The State governments supervise the inspection of grain in Minnesota, Illinois, Missouri, and Kansas. Within these States are located practically all of the western terminal grain markets, including Duluth, Minneapolis, Chicago, East St. Louis, St. Louis, and Kansas City.

These States will undoubtedly insist on maintaining their respective grain inspection departments so far as their State rights will permit, and the State will certainly have jurisdiction over the intrastate shipments. A dual inspection by the Federal and State governments will be expensive, confusing, and a nuisance.

The Federal Government can not insist on the collection of fees for inspecting grain received at terminal markets that is not of interstate shipment, and much of the grain received at the terminal markets named above is not of interstate shipment; some of which, however, might become interstate after the sale, which must be subsequent to the inspection, thus each department would be compelled to inspect all cars received whether interstate or not, and receive fees only for the cars coming properly within the jurisdiction of each department, and this would also be true with reference to the supervision of weighing.

Mr. BARTLETT. Can you tell us just how much that is? We tried to find that out the other day.

Mr. WELLS. I could not give the exact figures, but I might work out an approximation.

Mr. CUSHMAN. The percentage would differ at different places.

Mr. WELLS. Yes; and the conditions. A grading of grain will start locally as an intrastate shipment, but the sale at the terminal market may make it an interstate shipment, and that can not be determined until the sale.

Mr. BARTLETT. So that you would have to abolish State inspection, or make them operate together in some way.

Mr. WELLS. Yes, sir.

If each department should work independently, there would in the nature of things be differences in inspection, for men will differ in judgment, and honestly, too. Such differences would cause endless confusion and dissatisfaction.

If the two departments should work together and harmonize their work, one of the departments would simply be a sinecure and burden on the producer. Inspection and grading of grain will involve the same problems and troubles under Government supervision as under the supervision of the States and boards of trade.

In the event of the establishment of dual supervision we do not believe that the Government could successfully compete with the

service of the State or board of trade supervision that are in closer touch with the peculiar conditions of trade and the types and qualities of grain.

There are numerous varieties and types of each kind of grain peculiar to different localities. There is also endless variety as to quality and condition, and the different qualities of each kind of grain may range in solid continuity from lowest to highest grade, and any classification of grades must result in a certain range of quality in each particular grade.

Section 11 of the McCumber bill provides that final appeal on inspection be made to the Secretary of Agriculture, which provision is positively impracticable. This would result in the necessity of holding cars of grain on track awaiting the decision of the appeal, which would cause congestion in the terminal railroad yards, cost demurrage, and complicate the transactions of trade because of the fluctuation that would occur pending the decision, and likewise in loading boats the delays on account of appeal would be extremely expensive because of the demurrage that would accrue, etc.

There are times in the large terminal markets when the appeals to the appeal board of grain inspection amount to a large number of cars per day.

It is impracticable for the Secretary of Agriculture or any other and quality of the grain that he sells. In fact, he is inclined to deciding the technical questions of appeal and give proper consideration to the peculiar conditions of the market where the grain in question might be located.

The producer gives little attention to the question of condition and quality of the grain that he sells. In fact, he is inclined to undertake to market the poorest possible quality and obtain the price of the best quality, practically forcing the country grain dealer into competition in grading as well as in price.

The Government should exercise an effort to encourage the farmers to improve the general quality of their grain crops. If the grain was carefully harvested and cleaned thoroughly by the farmer before marketing, the whole controversy regarding grain inspection and dockage would vanish in thin air and the farmer would save the refuse screenings for feed and the freight on the same, besides receiving a higher price for the improved quality of his grain as the result of such cleaning.

The power and authority that the McCumber bill would confer on the Secretary of Agriculture is un-American, to say the least. It provides that he shall appoint inspectors and assistants at such important centers of interstate trade as he may consider necessary, etc. We do not believe it is reasonable to say that there would be no political influence in these appointments. We believe there would be and that this is in fact the underlying purpose of this bill.

The McCumber bill further provides that he shall make all needful rules; shall fix all standards of classification and grading of grain; shall fix the charges for inspection, etc.; shall be final authority of appeal; he shall make all needful rules relating to appeals; shall require inspectors and assistants to make report on the handling and weighing of all grain inspected by them.

To give one man so large a scope of authority and power in relation to private business is most unreasonable.

Upward of 75 per cent of the grain marketed by the Western States is shipped to the terminal markets on consignment and sold by sample on its merits; thus the question of inspection is not always of importance in establishing the price. The commission merchant acts as agent for the shipper, looking after his interests to the best possible advantage in securing the best price and, in case the inspection is of importance, he also exercises every effort possible to see that his shipper obtains fair treatment. There is always strong competition as between commission firms in this regard.

There is much business done by type sample, where inspection is not necessary, and to make Government inspection of all interstate grain compulsory will impose a tax that would yield no benefit to the producer on a large amount of business.

Suppose a grain dealer should sell grain of a certain grade on delivered terms and he would load out of his elevator grain of the grade sold, and so inspected by the Government inspector, and the inspector at the point of delivery would give it a lower grade, and the grain dealer suffer loss because of the difference in the two inspections, would the Government make good the damage done, or would it be considered as merely performing a governmental function with no liability for damage?

Grain inspection is largely a question of individual judgment, and in conducting a department of grain inspection the Government would employ a large force of men. It will be impossible to select all of these men and have every one of them infallible in judgment and otherwise practically capable. The Government departments have demonstrated time and again that they fail in the selection of employees as much as do business firms or corporations.

Mr. RICHARDSON. Isn't it true that the producer frequently sells his wheat by samples?

Mr. WELLS. To the country dealer, do you mean?

Mr. RICHARDSON. The farmer, does not he sell by sample in hand, and that is the end of the transaction?

Mr. WELLS. Yes, sir.

Mr. RICHARDSON. And a great deal of it is done in that way.

Mr. WELLS. Yes, sir.

Mr. TOWNSEND. Do you change the grade of your wheat, that is, when you sell it do you sell a different grade from what you buy?

Mr. WELLS. Do you refer to the country elevator or the terminal elevator?

Mr. TOWNSEND. You represent the country elevator, as I understand it.

Mr. WELLS. You understand that when the farmer delivers grain at the country elevator it loses its identity.

Mr. TOWNSEND. That is, you mix it with other wheat?

Mr. WELLS. Yes, sir. The fact is, strictly speaking, there is no grade at the country elevator.

Mr. ADAMSON. It goes into common stock?

Mr. WELLS. Yes, sir. If the cars get short and the elevator room gets scarce, they must dump it wherever they can store it under the circumstances, of course giving a storage receipt first. I think in the northwestern country that they have a system of storage that is also prescribed by the State government, and they are very strict about it too; and in that country, in regard to wheat, it is very carefully taken care of by the State railroad and warehouse commission.

Mr. BARTLETT. You say it is not graded, but it is put in the country elevator and warehouse, and a warehouse receipt is given! Of course, if the farmer wants money, I apprehend that he could borrow money upon the warehouse receipt?

Mr. WELLS. Yes, sir. I was speaking of the storage of grain.

Mr. BARTLETT. We call it warehouse grain in our country. Of course we do not have very much grain, but we have cotton warehouses. The man carries that receipt to the bank, and I would like to ask how the man who was willing to lend him money upon the storage receipt is made acquainted with the character of the wheat so as to determine how much money he would let him have upon it?

Mr. WELLS. The farmer and the dealer will agree upon the grade of the wheat in the storage receipt.

Mr. ADAMSON. Is it not possible that wheat, very inferior in grade, may be allowed to get into the common stock?

Mr. WELLS. A grain dealer may handle it, as he has to under the circumstances, at the country elevator.

The CHAIRMAN. What becomes of that warehouse receipt, or the elevator receipt?

Mr. WELLS. In the Northwest it is negotiable. Mr. Searle, I think, could give you more information upon that subject than I could. I am not closely in touch with the wheat territory, but am confined entirely to Iowa, where we do not raise wheat, and where our difficulties are more with the corn and oats. But I would say in answer to your question that it certainly goes back to the man who issues it.

The CHAIRMAN. Is that the invariable rule?

Mr. WELLS. I will file in one of the exhibits that I have mentioned here a copy of the Minnesota State law which covers a reply to that question, and which will give you a complete idea.

Mr. TOWNSEND. Are those States that you mentioned, Kansas, Minnesota, and Illinois, the only ones that have grain-inspection laws that you know anything about?

Mr. WELLS. In Minnesota, Illinois, Missouri, and Kansas. I do not understand that Wisconsin has a State law.

Mr. ESCH. Yes; she does.

Mr. WELLS. I imagine that you mean the mixing of grain at the terminal. That is covered in one of the exhibits which I have filed.

EXHIBIT B TO STATEMENT BY GEO. A. WELLS.

STATEMENT IN ANSWER TO THE CHARGES MADE BY SENATOR McCUMBER IN HIS SPEECH IN THE UNITED STATES SENATE, MAY 25, 1906.

There seems to be five distinct charges made by the Senator:

First. That the chief inspector is appointed in the interests of the elevators; that he appoints his deputies, and that appeals go from the deputies to the chief inspector, and are almost uniformly affirmed, therefore the appeal amounts practically in no relief.

Second. That there is a large increase in the amount of grain shipped out to the amount weighed in. It is charged that in ten years, September 1, 1892, to August 31, 1902, the average was 26,000,000 bushels.

Third. That there was an excessive dockage.

Fourth. That a cargo of wheat loaded at Superior in November, 1905, on the steamer *Wolvin*, known as "Durum" wheat, was overgraded when it was shipped to a Mediterranean port. This charge is based upon a letter of one H. T. Fowler, of the Alger-Fowler Company, of Superior, Wis.

Fifth. That a larger number of bushels of the higher grades were shipped out than taken during the year ending August 31, 1901, and that this applies during every season.

Regarding the first charge will say the Senator is misinformed in regard to the manner of the appointment of the chief inspector, and the machinery provided in this State for the taking of reinspections and appeals.

The chief inspector is appointed by the railroad and warehouse commission,^a who, by law, has general supervision over the grain business in the State. He appoints his deputies with the approval of the commission. The grain inspection force consists of a chief inspector, 2 chief deputy inspectors—one located at Minneapolis and the other at Duluth—and the business at these two terminal points is under the immediate control of the chief deputies located there, subject to the daily supervision of the chief inspector. There are 2 assistants to the chief deputy with coordinate authority in his absence, and known as first and second assistant, at each point, and sufficient deputy inspectors at each terminal, who, in the first instance, do the actual work of inspecting the grain.

Until within about a year ago the grain came into the railroad yards at Duluth, Superior, Wis., and Minneapolis. The deputy inspectors assigned to the different yards went to the cars, the helpers opened them, and the deputy inspectors made the inspection, this was done by the helper probing each car a sufficient number of times, not less than three, with a sectional probe or trier which brings to the surface a sample of the wheat from the top to the bottom of the car. These samples are all mixed together, and from the sample thus obtained the grade is determined. The inspector is not informed as to where the wheat comes from, nor to whom it belongs, nor to what commission house it is shipped. The inspector has with him a sieve and testing kettle for the purpose of determining the weight of the wheat, and also to determine the amount of dockage, foul seed, etc., contained in the wheat. If in the judgment of the inspector the dockage is more than a pound and a half per bushel, it is arrived at by careful test with scales and sieve.

Since then the office-inspection method has been established, the samples being gathered (by probing in the same manner as described heretofore) at Minneapolis, Duluth, Cass Lake, Sandstone, Melrose, Willmar, and Staples, which are then sent to the inspection offices at Minneapolis or Duluth and the inspection actually made in the office by the inspectors from these official samples.

The owner of the wheat always has a representative at the terminal point. Wheat is shipped to the terminal point either in care of the owner or to the commission merchant handling it, so that every shipper of wheat has a representative to look after his interests. If the owner is not satisfied with the grade placed on the grain by the deputy inspector, he is entitled to call for a reinspection, which is made by the chief deputy or his first assistant; if the grade is sustained, he pays \$1 per car; if changed in any way, either as to dockage or grade, there is no charge. If he is dissatisfied with the reinspection, he still can appeal to what is known as the "board of grain appeals." This board is appointed by the governor, and is composed of 3 members in Duluth and 3 members in Minneapolis, not more than 2 of whom can belong to the same political party, and it is separate and distinct from the inspection department; neither the chief inspector nor the railroad and warehouse commission have anything to say about the personnel of this board. The first board was appointed by Governor Lind in 1899; the second by Governor Van Sant in 1901; and the existing one by Governor Johnson in 1905. The grain under appeal is carefully examined by them, and when necessary sifted and tested for dockage the same as by the inspector and reinspector, and the grade placed by the appeal board upon this grain is final. The charge for an appeal is \$1, if the grade is sustained; if changed in any way, there is no charge.

The grain inspectors are promoted by the chief inspector from the subordinate position of helper, who generally works from three to five years in the position of helper, whose business it is to go with the inspectors, open the car door, do the probing, thus getting familiar with the different grades and varieties of grain, and receives this promotion as inspector only after a careful and rigid examination.

Exhibit A is a statement showing the number of cars reinspected and appealed and the results of such reinspection and appeal from September 1, 1899, to September 1, 1906. The total number of cars inspected was 1,861,196;

^a Railroad and warehouse commission composed of 3 members. Elective office, term four years.

cars reinspected, 220,337; cars changed on reinspection, 107,540; cars sustained on reinspection, 112,797; cars appealed, 71,206; cars changed on appeal, 22,727; cars sustained on appeal, 48,479.

EXHIBIT A.—*Number of cars reinspected and appealed and the results of such reinspection and appeal, from September 1, 1899, to September 1, 1906.*

[Figures taken from the annual report of the chief inspector of grain of the State of Minnesota.]

Year ending August 31—	Inspected.	Rein- spected.	Changed on rein- spection.	Sus- tained on rein- spection.	Ap- pealed.	Changed on appeal.	Sus- tained on appeal.
	<i>Cars.</i>	<i>Cars.</i>	<i>Cars.</i>	<i>Cars.</i>	<i>Cars.</i>	<i>Cars.</i>	<i>Cars.</i>
1900.....	209,949	26,711	11,226	15,485	3,818	1,675	2,143
1901.....	260,279	24,627	12,392	12,235	7,039	2,965	4,069
1902.....	261,642	31,220	13,566	20,654	10,817	3,235	7,582
1903.....	272,044	31,265	14,156	17,109	9,813	2,465	7,348
1904.....	274,450	29,122	14,145	14,977	10,000	2,772	7,229
1905.....	281,980	30,947	16,794	14,153	11,009	3,150	7,859
1906.....	297,902	43,445	25,261	18,184	18,716	6,465	12,251
Total.....	1,861,196	220,337	107,540	112,797	71,206	22,727	48,479

The second charge seems to be the most serious one made by Senator McCumber, and to support this statement he relies principally upon the decision rendered by Judge Sanborn, of the United States district court of Wisconsin (western district), in which the judge finds that the evidence in the case showed this discrepancy. Since that time, however, the judge has modified his findings as follows:

"What has been said in this opinion respecting changes of weight, dockage, and arbitrary changes of grades is borne out by the record as presented on these motions, nor was there upon the argument any substantial denial of the facts charged. It should be stated, however, that the Minnesota railroad and warehouse commission, under whose jurisdiction these frauds are alleged to exist, is not a party to these proceedings and has no right to appear in any way. Some things have been brought to my attention since the motions were decided which lead me to think that on final hearing the facts may turn out to be different from what they appear to be as shown in the record, and particularly that the 26,000,000 bushels shrinkage in ten years may turn out to be an exaggeration, if not a mistake. In view of the importance of the interests involved, and the fact that the Minnesota commission has not been and can not be heard, I have appended this memorandum to the opinion.

"May 26, 1906.

"A. L. SANBORN, Judge."

The Senator also relies upon a statement of figures compiled by Mr. F. R. Crumpton, of Superior, Wis., which is claimed to have been taken from the official records of the Duluth Board of Trade and from the reports of the Minnesota railroad and warehouse commission; and Mr. Crumpton is the only witness who testified that 26,000,000 bushels more had been shipped out than received in the action in which Judge Sanborn made his findings.

Mr. Crumpton has since made an affidavit, wherein he fully acknowledges that he made an error in compiling this statement, having used figures from the registrar's reports for the years ending August 31, 1893, 1894, and 1895, instead of using the figures from the weighmaster's reports for those years, which show additional receipts amounting to 30,678,295 bushels.

The weighmaster's report shows all grain weighed into elevators and mills, while the registrar's report shows only the amount weighed into the elevators.

I attach two statements, one marked "Exhibit B," which is a copy of the statement compiled by Mr. Crumpton, and the other, marked "Exhibit C," which is a statement made from the reports of the weighmasters at Duluth and Superior from September 1, 1892, to August 31, 1902, inclusive, showing the amount of wheat weighed into the elevators and mills, bushels weighed out of the elevators, the bushels weighed into the mills, and the bushels weighed into the Zenith elevator, which should be considered as shipments "out." There was shipped from the Zenith elevator 1,181,317 bushels, on which no "out" weight was taken, this elevator accepting the "in" weight from the parties to whom the wheat was sold.

An examination of this statement will show that there was an equal amount of wheat shipped out and taken in, less the dockage.

EXHIBIT B.—Crumpton's original statement—Receipts and shipments of wheat and quantity of flour manufactured for the past ten years.

[Taken from chief inspector's reports from September 1, 1892, to September 1, 1902.]

Year.	Wheat.		Flour, manufactured.
	Receipts.	Shipments.	
	<i>Bushels.</i>	<i>Bushels.</i>	<i>Barrels.</i>
1892.....	36,878,004	35,707,910	2,108,120
1893.....	25,684,398	24,416,401	2,946,290
1894.....	25,956,532	24,763,049	2,278,000
1895.....	67,442,961	52,534,437	3,120,945
1896.....	45,758,490	39,569,336	2,532,830
1897.....	47,739,338	35,002,386	2,460,045
1898.....	81,288,355	64,971,143	1,748,825
1899.....	54,696,444	46,346,796	345,460
1900.....	23,743,026	26,047,606	860,665
1901.....	53,919,157	46,123,873	1,795,960
1902.....			
Total.....	463,505,827	395,482,837	* 20,897,070

* 20,897,070 barrels equals 94,036,815 bushels.

Total receipts for ten years, 463,505,827 bushels; total shipments and manufactured flour, 489,519,652 bushels; making a total of 26,013,825 bushels shipped and manufactured into flour more than reported as being received.

NOTE.—For the years 1893, 1894, and 1895 Mr. Crumpton had used figures from the registrar's report (which only shows grain weighed into the elevators, and not into the mills). The weighmaster's report for the same period shows receipts of 30,686,632 bushels more than Mr. Crumpton's figures, which disproves his statement that 26,013,825 bushels more were shipped than received. And he also made a mistake of 1,000,000 bushels in adding the total receipts. The amount should read 462,505,925 instead of 463,505,827.

EXHIBIT C.—Minnesota grain department (Duluth district).—Official statement showing the amount of wheat "weighed in" and "weighed out" of elevators and mills at Duluth and Superior from September 1, 1892, to August 31, 1902, inclusive.

Year ending August 31—	Weighed into elevators and mills (gross weight).	Weighed out of elevators (net weight, less dockage).	Weighed into "mills" should be considered as an "out" shipment.	Weighed into Zenith Elevator, should be considered as an "out" shipment.
	<i>Bushels.</i>	<i>Bushels.</i>	<i>Bushels.</i>	<i>Bushels.</i>
1892.....	42,358,750	35,707,910	5,980,147	42,432
1893.....	36,851,443	24,416,401	11,266,544	9,606
1894.....	39,396,473	24,763,049	13,431,004	8,337
1895.....	67,442,961	52,534,438	14,878,520	145,361
1896.....	45,758,490	39,569,336	11,406,590	98,073
1897.....	47,739,338	35,002,386	9,684,333	218,573
1898.....	81,288,355	64,971,143	11,248,331	367,748
1899.....	54,696,444	46,346,796	2,950,604	291,180
1900.....	23,743,026	26,047,606	2,483,336	
1901.....	53,919,157	46,123,873	7,340,409	
1902.....				
Total.....	493,192,557	395,482,838	*90,730,457	*1,181,317

* These amounts are included in total receipts of 493,192,557 bushels.

RECAPITULATION.

	Bushels.
Total wheat weighed into elevators and mills.....	493,192,557
Total wheat weighed out of elevators.....	395,482,838
Total wheat weighed into mills, shipped out as flour and other products.....	90,730,457
Total wheat shipped from Zenith Elevator on which no out weight was taken, the Zenith Elevator accepting the "in weight" from the parties to whom their wheat was sold.....	1,181,317
Dockage on account of dirt, foul seed, etc.....	4,111,749
Accounted for by direct transfer through shipping bins wherein the "in weight" was also taken as an out weight.....	1,686,196
	493,192,557

In reply to the third charge that excessive dockage was taken, I append a statement, marked "Exhibit D," showing the average amount of dockage per bushel for each year from 1893 to 1902, inclusive, and showing an average dockage for the ten years of 19½ ounces to the bushel. This statement requires no comment as it speaks for itself.

EXHIBIT D.—Average amount of dockage per bushel for each year from 1893 to 1902, inclusive.

	Ounces.
1893	14.5
1894	20.5
1895	14.75
1896	15.25
1897	15.0
1898	28.6
1899	26.3
1900	19.7
1901	23.5
1902	19.8
Average dockage for ten years.....	19.8

The Senator also stated that there was dockage on wheat received in, and no dockage on the wheat shipped out. This is explained by the fact that the grain going out from Duluth in cargoes is all cleaned before it is shipped, and practically all the wheat that goes from that market goes in cargoes over the Lakes.

Regarding the fourth charge, the overgrading of a cargo of "Durum" wheat made by H. T. Fowler:

If this charge had been true, the department would have heard of this overgrading at Buffalo, N. Y., or Montreal, whichever route the cargo took, and, as a matter of fact, no complaint was ever received from anyone in regard to this cargo.

The department has had some experience with this H. T. Fowler, of Superior, Wis., who writes the letter making this charge, and I submit the following statement of facts:

All flax is inspected and the dockage determined by taking a sample from the cars to the office of the chief deputy inspector, which is done in the following manner:

The car is sampled by probe or trier passing through the seed at not less than seven points equally distributed through the car; at each point an equal quantity of seed is taken, aggregating 3 pounds, which is deemed an average sample of the carload. From this sample 1 pound of average seed is taken to be tested, and the impurity removed by sieves; the per cent of impurity and weight per measured bushel of the commercial pure seed determines the grade and dockage.

Reinspection and appeal are allowed from this original inspection of flaxseed the same as for other grain.

When the sample has been taken from the car, for convenience it is hung on the door of the car, and subsequently, when the train of cars has been sampled, these samples are gathered up and taken to the office.

During December, 1903, the department found that they were having complaints in regard to excessive dockage on flax. An investigation was instituted, and it was found that the said H. T. Fowler was tampering with these flax samples which had been hung on the car doors by taking some of the flax out of the bags and putting dirt and foul seed in the sample, and it was found that some of the samples with which Mr. Fowler had tampered showed an increase in the dockage of 100 per cent. After he had fixed the samples he would notify his commission man in Duluth the numbers of the cars and request him to buy the flax, thereby practically obtaining a large amount of flax from each car. This statement is made advisedly, and the department is willing to stand by it in any forum where Mr. Fowler wishes to try it.

Regarding the fifth charge, wherein the Senator quotes from the report of the Hon. George A. Young and submits a table from the chief grain inspector's report showing receipts and shipments for the crop year ending August 31, 1901 (this table was included in his speech of March 30, 1904): He says: "More than three times the amount of 'No. 1 hard' was shipped out than was taken in; also it will be seen that of the higher grades the amount shipped out

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always exceeds by two or three times the amount taken in." In regard to these charges, will state the annual report of the chief grain inspector does not take into account the amount of grain on hand in the elevators at the beginning or ending of each season. They only show the actual amount handled for the crop year. In this particular case there was on hand September 1, 1900, over 7,000,000 bushels of wheat in the public and private elevators, and I refer you to Exhibit "E" for a detailed statement of the actual amount on hand, received, and shipped.

EXHIBIT E.—(*Minnesota grain department—Duluth district*)—Amount of wheat, by grades, on hand at beginning of crop year, September 1, 1900; amount received and shipped during crop year 1901; amount on hand at close of crop year, August 31, 1901; amount taken in at the mills which was shipped out as flour and other products; amount of dockage for dirt, foul seed, etc.; amount of transfers wherein the "in weight" is also taken as an "out weight."

AMOUNT ON HAND SEPTEMBER 1, 1900, AND RECEIPTS FOR YEAR ENDING AUGUST 31, 1901.

Grades.	On hand September 1, 1900, in public ele- vators.	On hand September 1, 1900, in private ele- vators.	Received from Sep- tember 1, 1900, to Au- gust 31, 1901 (gross weight).	Total.
	<i>Bushels.</i>	<i>Bushels.</i>	<i>Bushels.</i>	<i>Bushels.</i>
No. 1 hard.....	613,715	8,921	341,567	1,004,203
No. 1 northern.....	4,781,683	504,663	10,070,414	15,356,760
No. 2 northern.....	453,028	246,473	7,341,594	8,041,095
No. 3 spring.....	54,327		1,335,830	1,390,157
Rejected.....	44,297		256,063	300,360
No grade.....	97,384		1,335,521	1,432,905
Special bin.....		88,180		88,180
Winter.....	26,786		1,799,986	1,826,772
Not inspected.....			4,327	4,327
Bonded.....	174,734	4,308	1,258,320	1,437,362
Total.....	6,285,954	852,545	23,743,622	30,882,121

AMOUNT ON HAND AUGUST 31, 1901, AND SHIPMENTS FOR YEAR ENDING AUGUST 31, 1901.

Grades.	Welghed into mills September 1, 1900, to August 31, 1901.	On hand August 31, 1901, in pub- lic elevators.	On hand August 31, 1901, in pri- vate ele- vators.	Shipped from Sep- tember 1, 1901, to Au- gust 31, 1901 (net weight).	Total.
	<i>Bushels.</i>	<i>Bushels.</i>	<i>Bushels.</i>	<i>Bushels.</i>	<i>Bushels.</i>
No. 1 hard.....	7,514	6,084		1,000,439	1,013,996
No. 1 northern.....	344,192	114,469	176,571	16,900,918	17,536,150
No. 2 northern.....	1,511,930	302,148	431,118	3,978,311	6,223,507
No. 3 spring.....	450,911	8,423	7,950	444,042	911,326
Rejected.....	30,348	775	907	134,471	166,501
No grade.....	29,563	5,213	4,015	344,824	393,615
Special bin.....			84,411		84,411
Winter.....	106,880	4,202	7,436	1,673,023	1,796,544
Not inspected.....				266,505	266,505
Bonded.....		90,009		1,304,971	1,394,980
Transfers.....					557,174
Dockages.....					550,422
Total.....	2,483,338	531,273	712,408	26,047,506	30,882,121

NOTE.—All the above figures were taken from the official records in the office of the assistant registrar and State weighmaster of grain, at Duluth, Minn. (excepting the figures showing the amount of wheat on hand in the private elevators, which figures were obtained from the elevator companies).

Regarding the changes of grades in and out of elevators, I submit the follow-
ing:

The intermingling or mixing of different grades of grain resulting in the improving of low grades to a higher grade is considered by all grain men and

handlers as legitimate a business as the improving or mixing of any article in any other line of business.

The grading of grain is largely a matter of judgment, and no rules for this can be laid down that do not allow a certain range for every grade of grain. On this account there is a higher and lower level in every grade, and by mixing certain proportions of the choice qualities of, we will say, 1 and 2 northern wheat, the proportion of the lower grade used can be raised so as to make a mixture equal or better than the average run of the higher grade.

Wheat that is put in the two northern grades may have all the qualities of 1 northern but one; for instance, it may be bleached a little to muck, or it may be too light in weight, or have other deficiencies, but by mixing it with 1 northern of maximum weight and of good color, it brings it up to the average level of the upper grade. To accomplish these results it is necessary to have elevators equipped with special machinery for handling and improving this class of wheat.

There are two classes of elevators at Minneapolis, Duluth, and Superior, the public and the private. The public elevator affords the shipper the privilege of storing his grain where different grades are not allowed to be mixed. This class of elevators is entirely under the control of the State grain department. The private elevator is not under the control of the State, except by courtesy. They may be classed as grain merchants. They buy all grain which they store from owners or their representatives by sample or grade, selecting only such as they in their judgment think can be improved by handling and mixing. Wheat that is graded "No grade," on account of being too wet to store unless handled and dried, or wheat that is tainted with smut, exceedingly dirty, bin-burnt or musty. This class of grain is thought by many persons not conversant with the grain business to be no good, in fact worthless, while as a matter of fact it may be, if dried and carefully handled, by brushing, fanning, and cleaning, entitled to the highest grade.

Prior to the inception of the private elevators at Duluth, with the exception of a very small quantity which was bought at that time by one or two small local flouring mills, all wheat that graded below 2 northern (and even that grade could only be sold in limited quantity) had to find a market elsewhere. Shippers were notified not to ship their low grades to Duluth, but to Minneapolis or some other market where it could be disposed of to better advantage on account of the private elevators. That the mixing of wheat does not injure the producer, but as a matter of fact is a benefit, is well known to all conversant with the grain business. It increases the number of buyers, creates competition, and results in a premium above the price of the regular grade for the choice lots or cars of each grade.

Different grades of grain can not be mixed in public elevators, but the law does not prevent an owner of grain from mixing different grades or different qualities in his own elevator, where he is not storing and handling grain for the public. No prominent market in the United States is without these facilities. In the absence of such facilities to handle grain that is wet or otherwise unfit for storage in the public warehouses the producers and shippers of such grain would be deprived of a competitive home market, and a large and legitimate business would be driven past our doors.

STATISTICS.

Your attention is respectfully directed to the tables of statistics ("A" to "N," inclusive), which contain interesting information relative to the transactions of the department during the last crop year.

The results of the inspections for the past season are gratifying, showing that out of 123,978 carloads of spring wheat received at the terminals, 84 per cent graded "No. 1 hard;" 304 per cent, "No. 1 northern;" 27 per cent "No. 2 northern;" 184 per cent, "No. 3;" 74 per cent, "No. 4;" 64 per cent, "Rejected;" and 14 per cent as "No grade" (wet, damp, and nonwarehouseable).

In conclusion, I am pleased to say the work of the department has met with general approval, and that our grading has proven satisfactory to both shipper and receiver is borne out by the fact that we have received practically no complaints.

For such satisfactory conditions I must thank my chief deputies and all other members of the department, who have so ably assisted me in their respective positions.

Very truly, yours,

F. W. EVA, *Chief Inspector.*

In my last year's report I took occasion to give a brief history of Minnesota inspection at Superior, Wis., explaining the controversy that had arisen at the Head of the Lakes, and in this connection mentioned that new Wisconsin inspection law, which provided for a board of 3 commissioners, one from Wisconsin, 1 from New York, and 1 from North Dakota. It is not my desire or purpose to reopen the controversy that culminated in the enactment of the above-mentioned law and its subsequent failure of practical operation.

This controversy had, however, been exploited by persons interested, and others ignorant of the real facts, until it received the official action of the North Dakota legislature in the passage of a concurrent resolution, copies of which were duly transmitted to the president of our State senate and the speaker of the house of representatives.

This concurrent resolution embodied certain charges and requests affecting the grain interests of this State and in particular the operation of the department of which I have the honor of being the chief.

Our legislature, mindful of its respect to the demands and representations of the legislature of a neighboring State, took due notice of this resolution by the appointment of a joint special committee on the part of the senate and house with instructions to investigate and report to the senate and house its findings and conclusions. After a most thorough investigation of the whole subject-matter involved, this joint committee made its report; the same received the unanimous sanction of the senate and house and was duly transmitted to the legislature of North Dakota. I append the North Dakota resolution and the legislative reply thereto, and submit that the reply is not only a complete exoneration of our Minnesota inspection and weighing system from any real or implied wrong, but that it is in the highest degree commendatory thereof, a fact which I take pride in bringing to the official attention of the commission.

[Senate Bill No. 82, introduced by Mr. Cashel.]

CONCURRENT RESOLUTION.

Be it resolved by the senate of the State of North Dakota, the house concurring:

Whereas the Wisconsin grain grading and inspection law at Superior, Wis., is the legally established market for the grains of the State, the State being represented by a commissioner on the board that regulates the same, to whom it contributes a portion of his salary; and

Whereas the operations of the law are now tied up in the courts and inoperative, being bitterly opposed by the railroads, elevators, and boards of trade operating under the Minnesota grain grading and inspection law, thereby destroying competition to the great injury of the farmers of this State; and

Whereas the Minnesota law is not satisfactory in its dockage and in allowing terminal elevators to doctor wheat by scouring and mixing inferior grades, thereby advancing the grades and shipping out a greater amount of higher grades of wheat than were taken in, thus making unnatural gains for the elevators, and a corresponding loss to the grain growers, besides degrading the quality of our wheat in the markets of the world; and

Whereas there are frequently losses to shippers through defective cars, being so either when loaded or by rough handling when in transit or in the terminal yards, causing numerous losses not accounted for: Therefore be it

Resolved, That the legislative assembly, composed of the representatives of the farmers and business interests of the State, believing that there should be free, open competitive markets for our products and that we should receive just value therefor, do respectfully request and urge:

First, that all opposition be withdrawn from the establishment of an equitable grain grading and inspection law at Superior, Wis., giving to us a competitive market.

Second, that the legislative assembly of the State of Minnesota be requested to amend its grain grading and inspection laws, establishing grain hospitals for customers only, and prohibiting terminal elevators from shipping out more grain of a given grade than was received in.

Third, that the legislative assembly of the State of Wisconsin be also requested to amend its grain grading and inspection laws to harmonize with the requests set forth in the second article of this resolution, and to prohibit a few persons from controlling the storage capacity of an elevator to the detriment of the many.

Fourth, that the suction draft be prohibited before grain is weighed and dockage taken, and that the value of the dockage be accounted for and paid to the owner of the grain from which it was taken.

Fifth, that a car inspection be established in each of these States to ascertain the exact condition of cars arriving, loaded with grain, and that all defective cars be specifically noted and reported to the head of the grain inspection department where they entered, and a duplicate notice thereof sent to the company to which the car belonged: And be it further

Resolved, That should we fail through these recommendations and requests to procure a redress of these grievances, we respectfully urge the grain growers of this State to cooperate for the purpose of building local and terminal elevators: And be it further

Resolved, That we favor a national grain grading and inspection law that will be uniform in all the States, thus abolishing the special system in each State: And be it further

Resolved, That the secretary of state be requested to send a copy of these resolutions to each of our representatives in both branches of Congress, also one each to the secretary of state, the president of the senate, and the speaker of the house of representatives of the States of Wisconsin and Minnesota, and to the presidents of the boards of trade of Superior, Wis., and Duluth, Minn.

R. S. LEWIS,
President of the Senate.
JAMES W. FOLEY,
Speaker of the House.
F. D. NORTON,
Chief Clerk of the House.

I, James W. Foley, secretary of the senate, do hereby certify that the foregoing concurrent resolution originated in and was adopted by the senate of the tenth legislative assembly of the State of North Dakota and was concurred in by the house of representatives.

JAMES W. FOLEY,
Secretary of the Senate.

STATE OF MINNESOTA.

[Thirty-fifth session. H. F. No. 603. Introduced by Committee on grain and warehouse. March 4, 1907.]

A CONCURRENT RESOLUTION RELATING TO GRAIN INSPECTION.

Resolved, by the house, the senate concurring: Whereas the senate and house of representatives of the tenth legislative assembly of the State of North Dakota adopted a certain concurrent resolution, copies of which were duly transmitted to the speaker of this house and the president of the senate of this legislature; and whereas such concurrent resolution contains certain charges, and makes certain requests affecting the grain interests of this State and the State grain inspection and weighing departments; and whereas such charges and requests call for a reply from this legislature, so far as the same affect this State, its grain interests, and its grain inspection and weighing departments;

Therefore, be it resolved, That the following is the reply of this legislature to the several resolutions contained in the said concurrent resolution, transmitted by the North Dakota legislature:

Reply to resolution "first": There is not now nor has there been at any time any opposition on the part of any legal authority of this State, and particularly on the part of the Minnesota inspection department, to the establishment of what said resolution first terms an "equitable grain-inspection law at Superior," nor has anything been done by any legal authority or on the part of the Minnesota inspection department to prevent a competitive market at Superior.

Reply to resolution "second": The Minnesota inspection and weighing laws were enacted in 1885 in response to a demand from the grain producers of this State; these laws have been amended and improved from time to time until to-day they are considered by the grain trade to be the best and most efficient laws of their kind in vogue. Minnesota inspection and weighing certificates are accepted the world over as prima facie evidence of what they stand for.

The Minnesota inspection and weighing laws have proved themselves acceptable to the grain producers of this and other States, and as there is no discrimination practiced on the part of the officials in charge of our inspection system it naturally should follow that our laws in this respect should prove equally acceptable to shippers from all points. No complaint of this nature has come from South Dakota or any other State.

As to "grain hospitals," so called, otherwise known as mixing houses, they are by no means inimical to the grain trade. The function of a grain hospital or mixing house is to improve the condition of low-grade grain which in its original condition might be unmerchantable. Instead of being an injury to the grain trade and to the producer who finds himself with a damaged crop on his hands, the grain hospital or mixing house is a benefit. It can hardly be considered a crime to improve the commercial value of any deteriorated commodity. Minnesota mixing houses have improved the condition of hundreds of thousands of bushels of Minnesota and North Dakota wheat, and it follows quite naturally that the owner or operator of such a mixing house is entitled to a just reward for his labor, and this he received in the higher price which he obtains for the better grade of grain that he has established. The business is perfectly legitimate from both a legal and commercial standpoint. No mixing of grain is permitted in any of the public terminal elevators of this State.

We are, therefore, constrained to respectfully decline the request to amend our inspection laws in this respect.

Reply to resolution "third:" No evidence of any kind is at hand that would prove the implied charge in this resolution that a few persons control the storage capacity of terminal elevators in this State to the detriment of the many. There is nothing in our Minnesota laws that prevents the erection and operation of terminal elevators by any person or persons so disposed. We here again must decline to accede to a request for a change in our laws.

Reply to resolution "fourth:" Evidence submitted to this legislature shows that the suction draft, so called, does not in a material manner affect the weight of grain and the dockage taken. With a view of correctly ascertaining the effect of the suction draft a subcommittee of the committees on grain and warehouse of this legislature made a careful inspection of this apparatus while in operation and found it working satisfactorily. No grain whatever is drawn from the conveyors by this draft; it absorbs and collects only the very fine, light dust, which is a menace to the health of the employees and a dangerous explosive in case of fire. As to the weight of such dust, the committee ascertained that from car No. 53348 (Milwaukee), weighing 63,000 pounds, there was collected a total waste of 4 pounds and 7 ounces. The subcommittee viewed the removal of the grain from this car from the time the doors were opened until the contents of the same were deposited in the hopper scales at the top floor of the elevator. As to ascertaining the value of dockage, as a commercial commodity and accounting for the same to the owner of the grain from whom it is taken, the preponderance of evidence suggests that such a system is impracticable. The solution of this problem, however, ought not to be of a serious nature. If producers in the first instance and primary elevators in the second instance, would clean the grain before loaded in cars for shipment, there would be very little dockage to account for at terminal points. It is difficult to conceive of a remedy for a condition at terminal points which has its inception at the primary market or with the producer himself. It seems that many producers persist in marketing unclean grain, without any regard to the commercial value of the dockage, and as long as they are ready and willing to donate such dockage as their grain contains, rather than go to the expense of cleaning the same, there can be no recourse.

Our Minnesota dockage of grain is applied under the most liberal rules to the shipper, who is given the benefit of any doubt there may be as to the amount of dockage to be taken; there is nothing to indicate that our system of dockage is generally unsatisfactory to the grain producers of our own State, and as the dockage is applied to all grain coming to our terminal markets without discrimination, it should prove equally acceptable and satisfactory to the shippers and producers of North Dakota. The average dockage per bushel for wheat for ten years in this State was 19.8 ounces. Surely this amount of dockage can not be called excessive.

We are, therefore, again obliged to decline the amendments of our laws or the enactment of new laws for the further regulation of grain dockage in this State.

Reply to resolution "fifth": There was established in this State under the provisions of our grain and warehouse laws a system of car inspection for "bad-order" cars many years ago. This system has been improved upon until it stands in the front rank of all such inspection systems that are in operation in the large grain markets of this country.

Section 2082 of the Revised Statutes for Minnesota for 1905 reads as follows:

"SECTION 2082. *Inspectors to examine cars.*—The chief inspector of grain and any deputy or officials serving under him, before opening any cars containing grain, upon their arrival at any of the several places designated by law as terminal points in this State, for the purpose of inspecting the same, shall first ascertain the condition of such cars and determine whether any leakages have occurred while said cars were in transit; also whether or not the doors are properly secured and sealed, making a record of such facts in all cases, and recording the same in a proper book to be kept for the purpose. After such examination shall have been duly made and recorded and the inspection of such grain has been made, the said officials of the State grain inspection department above mentioned, shall securely close and reseat such doors as have been opened by them, using a special seal of the said grain-inspection department for the purpose. A record of all original seals broken by said officials and the time when broken, also a record of all State seals substituted therefor and the time when such State seals were substituted, together with a full description of said seals, with their numbers, shall be made by the said officials."

All cars arriving at our Minnesota terminals loaded with grain are twice inspected as to the condition they arrive in, and a report is made of all defective or bad-order cars, and the consignee to whom such car or cars were shipped is notified of such facts. The records of the inspection and weighing departments show all bad-order cars that have been received. Our Minnesota system of patrolling the railroad yards and prohibiting the stealing of grain from cars is the most complete of any system of its kind, and costs the State grain-inspection department of this State approximately \$5,000 per annum. We can not conceive of any reason therefore why we should enact any new laws or amend any existing law in relation to this subject.

In conclusion, we respectfully make these representations and bring them to the official notice of your honorable legislature: On the 11th, 12th, and 13th days of December, 1906, there was held in the city of Chicago, under the auspices of the Grain Dealers' National Association, a congress for the purpose of considering the advisability of adopting uniform national grades. After having agreed to adopt such uniform national grades, subject to the ratification by the several grain exchanges there represented, there was adopted a standard of uniform grades for grain, which are practically the official grades that are now in force in this State. This congress reflected the business judgment and experience of practical grain men, many of whom had devoted a lifetime to the business of purchasing, handling, or inspecting grain at the large grain centers of the United States.

Furthermore, a delegate convention recently held in London, England, after due deliberation approved of Manitoba and Minnesota inspection of grain to the exclusion of any other systems.

We submit that the action of these bodies in determining and approving standard uniform grades are highly complimentary to our Minnesota system of official inspection of grain and suggest that in the event of a national grain-inspection system Minnesota grades will be adopted as the standard grades of the nation.

As illustrating our Minnesota system of inspecting and weighing grain at terminal points we transmit herewith Exhibit "A," showing in detail "How grain is handled under State supervision."

And be it further resolved, That the secretary of state be requested to send a copy of these resolutions to the honorable president of the senate and the speaker of the house of the State of North Dakota, one copy to each of our Senators and Representatives in the Congress of the United States, one copy each to the secretary of state of the States of North Dakota and Wisconsin, one copy each to the president of the senate and the speaker of the assembly of the legislature of the State of Wisconsin, and one copy each to the presidents of the boards of trade of Superior, Wisconsin, and Minneapolis and Duluth, Minnesota.

Approved, March 6, 1907.

EXHIBIT A TO H. F. No. 603.—*How grain is handled under State supervision.*

As long as grain will be in demand by the world at large, and as long as humanity depends upon grain for its bread, a deep interest must center in all that pertains to the cereals in general that contribute the supply that fills this enormous demand. Agriculture must be recognized as the prime sustaining principle throughout the world, and especially does Minnesota and her sister States enter into the scheme of furnishing the world's garner the tremendous supply required.

One of the most extensive branches of the State service in the State of Minnesota is the State grain department, that determines the grades and weighs the grain that is shipped to the terminal markets. Notwithstanding the fact that the State has been doing this work for more than twenty-one years, there is yet much that the general public, many of whom are directly and vitally interested, do not understand or comprehend about this very important service.

We have received many letters asking for information as to the methods of the department, and many inquiries have been of the most ridiculous nature; for instance, it has been asked if we weighed grain in carloads by running a train of cars all coupled together over a track scale in the railroad yards. Also the question has been asked if the empty car is actually weighed to determine the tare weight, or if it is the stencil weight on side of car that is taken.

This article has been written with the end in view of telling in detail, step by step, how the work is performed from the time a carload of grain reaches the terminal inspection track until it has been weighed under supervision of the State.

THE INSPECTION.

When a carload of grain reaches the terminal market it is placed by the railroad company upon special tracks called "inspection tracks," which are provided in each railroad yard.

A State sampler is on hand in the morning as soon as it is light enough to see, and he first takes a record of the car number and initials, and also records the number of the seal that he breaks in order to enter the car. He then takes a hollow brass tube, called a "probe," and by plunging this probe down through the grain to the bottom of the car in several places he secures a fair sample of the grain throughout the whole load. The sampler then re-seals the car and keeps a record of the State seal applied.

A sample of the grain is also taken by a chamber of commerce sampler, which sample is given to the consignee of the car. A complete seal record is also kept by the chamber of commerce sampler.

The sample that has been thus obtained by the State sampler is placed in a sample sack together with a ticket on which has been placed the car number and initial. The sample is then taken to the State inspection office, where under a proper light it is carefully inspected by expert inspectors who have made a special study of the particular kind of grain which they inspect. The grade and dockage, if there is any dockage, is then determined by means of apparatus adapted to the work consisting of finely adjusted scales and sieves of different kinds.

If the shipper or the consignee is not satisfied with either grade or dockage on the car in question, it is his privilege to call for a reinspection. The case is then carefully reviewed by the chief deputy inspector or the assistant chief deputies. In case the parties interested are still dissatisfied, an appeal can be called for, which means that the merits of the case would then be considered by the State board of appeals, a board of three members. The grade and dockage as determined by them is final.

The rules that govern the grading and dockage of grain are established at the beginning of each grain year by the members of the board of appeals, consisting of 6 members, 3 at Minneapolis and 3 at Duluth.

Another particular duty of the inspection department during their work in the railroad yards is to make an examination of each car of grain for any leaky conditions that might exist, making a record of same in their record books.

When the grade and dockage has been finally determined, a certificate of inspection is issued by the State inspection department.

After the inspection has been completed and the carload of grain is sold it is sent to mill or elevator for unloading.

THE WEIGHING.

Again the carload of grain comes under the direct supervision of the State department, for the State weigher at once makes a careful examination of the car to detect any bad-order condition, and a most complete record is made of any such condition found.

This inspection of the car for leaky conditions having been thoroughly done, he then takes a complete seal record of the car before the seals are broken by the unloading concern. In case the mill or elevator company to which the car has been set for unloading should break the seals for private inspection before the car has been placed on the unloading track, they also keep a record of the seals broken and applied.

At the larger elevators in the system where the weighing is done on hopper scales in the cupola, two men are employed, one being stationed upstairs where the weighing is done and the other man supervises the handling of the grain downstairs. This downstairs man, called a supervising weigher, sees that the cars are swept properly; sees that all the grain has been elevated from the unloading pit before the signal is given to weigh the grain, and he must also know that each car is placed at the particular elevating leg corresponding with the number of the scale upstairs, on which scale the weigher has been advised the car is to be weighed on. It is this downstairs man who also keeps the seal record.

After the examination of the car has been completed and the seal record secured, the car is placed at the unloading pit, where by means of powerful steam shovels the grain is unloaded. It is elevated directly to the garner, which is the large receiving hopper located just above the scale hopper. After the scale has been properly balanced and closed, the grain is drawn down from the garner into the scale hopper.

The grain is then carefully weighed by the State weigher, and the original entry of weight is made according to law in the record book provided for the purpose.

He then takes a specially arranged ticket, and by means of the type-registering device with which all scales are equipped, on which State weights are given, he obtains a type-printed record.

He then checks this type-printed record with the figures that he first recorded in the weight-record book, and if they do not agree it is evident that his attention would be immediately called to the fact, and it is his duty to at once go over the work before the grain has been dropped from the scale to account for the apparent difference in the records.

Since an incorrect record can not be obtained from the type register, provided it is not actually out of order, it is practically impossible for error to enter into the work of weighing under the present system.

However, no man would assert that mistakes can not possibly be made in some part of the operation, for as long as man is fallible an error will occasionally occur.

Another check upon the work is the fact that all through the weighing operation the State weigher has not been alone in the work, for the mill or elevator weigher has been present all the time, and as a result the two men are enabled to compare their work and figures as an extra precaution against mistakes.

When the shipper of a carload of grain obeys the law by placing a card in the car giving the shipping weight, an immediate investigation is made if there is an apparent discrepancy between the State weight and shipping weight, and it is very plain that such an investigation made while the grain is still held in the scale hopper is of more value than when made a few days or weeks after the weighing has been completed and all the circumstances surrounding the case may have been forgotten.

When there is no shipping-weight ticket placed in the car, the State weigher has no means of knowing the amount of grain the shipper has loaded into the car, and consequently he does not know if a shortage or overage should actually exist.

Where track scales are used instead of hopper scales, the loaded car is uncoupled from all other cars, placed upon the scale platform, and weighed. Then when the grain has been unloaded the empty car is weighed to obtain the tare weight. This tare weight is deducted from the gross weight to determine the net weight. A complete record of the work is kept the same as in hopper-scale weighing, and the work checked by the type-registering device previously mentioned.

The State weighing department thoroughly investigates all claims that arise in the work, and no effort is considered too great if in the end a just settlement can be obtained.

When a claim is presented alleging a shortage, it is at once placed on file. The records are then carefully checked over to see if an error has been made in transposition of numbers, addition of drafts, or by actual mistake in recording a wrong figure or set of figures. Then this type-registered ticket, which has been carefully preserved for reference, is examined and compared with the figures as given in the written record.

The record of the work at the unloading station is thoroughly gone over for the time covered by the date that the car was weighed, involving a study of the condition that surrounded the weighing. The seal records are also completely checked up to find if such a condition should exist as a broken seal, no seal, or faulty record.

Special work has been done involving travel of several hundred miles to test scales or check up the work of loading, when some especially serious case has demanded.

A close supervision is kept over all the scales on which State weights are given, and this work does not mean ordinary care in the use of the scales, but means a complete and severe test up to full capacity of every scale in the system.

Scale experts are employed whose sole duties are to test the scales and keep them adjusted to the Government standard of weights. Nor does the State supervision cease at the testing of scales, but takes up the details of proper scale construction, elevating machinery, and all apparatus that enters into the handling of the grain before it is weighed.

When the State weigher closes his report for the day it is mailed at once to the State weighmaster's office, where it is necessary that the report be on hand by 7 o'clock a. m. on the day following the weighing.

At this office a busy scene is witnessed each day as the representatives of the many commission firms check over the daily report sheets to learn the weight of their cars as ascertained by the State weighing department on the day previous.

The records being clear and perfect, an official certificate of weight is issued bearing upon its face the car number, initial, contents, and State weight, together with the time and place of weighing. This certificate is stamped with the seal of the office of the State weighmaster and forms the basis of settlement between seller and buyer in the matter of weight.

To obtain a State certificate of weight, it is necessary to present a request in writing. Should any bad-order conditions be found in the records it is also written in the remark column of the certificate of weight.

Another very important branch of the State weighing service is the system of watching or patrol, whereby the cars loaded with grain are continually watched while going through the terminal yards, to detect any leaking conditions that might exist as well as to guard against pilferage.

The terminal railroad yards are usually located in outlying districts where the vigilance of watchmen is especially needed. Many times leaking cars are found and reported by these special watchmen that would not show to be in leaky condition except when in motion, for cars often leak in the yards when being switched about and do not show evidence of leakage when set for unloading.

Much has also been accomplished in the way of protecting the property of shippers from pilferage, a loss against which the country shipper of grain would be powerless if it were allowed to exist.

Since these special watchmen cover the whole terminal system wherever cars containing grain are handled, they are a further check upon the work of seeing that cars are properly swept at the unloading stations by which they are continually passing during their yard work.

These special watchmen are regular deputy weighers assigned to this patrol service, and they are empowered with police authority.

It is amazing to consider the enormous bulk of grain that is handled in the Minneapolis terminal alone, for during the grain year ending August 31, 1905, there were 259,996 cars weighed. If these cars were made up into a solid train, allowing 40 feet as the length of each car, the train would extend from New York City to a point 232 miles west of Bismarck, N. Dak., and each car would contain 1,018 bushels, or more than is produced by the ordinary Minnesota farm.

The State stands as an arbitrator between the seller and buyer; it treats both with equal fairness; it is disinterested as to the financial interest involved, its only care being to see that justice is done.

The State weighing department does not hold the very unsatisfactory position of being a mere figurehead in the handling and weighing of the immense volume of grain that pours into the terminal market, but, supported by law, it aims to be an active and energetic factor in the work of securing correct weights, making constant effort toward the improvement of the service, by the adoption of the most modern equipment and by the application of the experience that years in the development of the work has given.

The State weighers who do the weighing are each under a substantial security bond of \$5,000, and while they are thus held liable for the results of their work, still they are wholly independent, not knowing to whom a single car of grain belongs which they weigh, and they also know that the tenure of their office is not dependent upon the good or ill will of mill or elevator people at whose industries they might be stationed.

EXHIBIT D TO STATEMENT BY GEORGE A. WELLS.

THE WAREHOUSE AND GRAIN LAWS OF THE STATE OF MINNESOTA.

2060. *Boards of grain inspection.*—The boards heretofore known as the boards of appeals for the inspection of grain at Minneapolis and at Duluth shall hereafter be known as the "Minneapolis grain inspection board" and the "Duluth grain inspection board," respectively. Each board shall consist of three members appointed by the governor, who shall have the same qualifications as grain inspectors, and not more than two of whom shall be of the same political party. Their term of office shall be for two years from August 1 succeeding their appointment and until their successors qualify. The governor may remove any member and fill any vacancy for the unexpired term. Members of either board shall have the right to act at either Duluth or Minneapolis. (1899, c. 199, s. 1.)

2061. *Bond.*—Before entering on the duties of his office, each member of such boards shall give bond to the State, with sureties to be approved by the governor, in the sum of \$5,000, conditioned for the faithful discharge of the duties of his office. No surety on any such bond shall be interested in or connected with any grain, warehouse, or commission business, firm, or corporation. (1899, c. 199, s. 6.)

2062. *Minnesota grades.*—The two boards, or a majority of the six members thereof, shall meet annually in joint session on or before September 15 and establish the grades of all grain subject to State inspection, to be known as "Minnesota grades." Such grades, and the tests thereof, shall be published daily for one week in a newspaper in each of the cities of Minneapolis and Duluth, and all grain received at any public warehouse shall be graded accordingly. Such grades shall not be changed before the next annual meeting without the concurrence of at least five members of such boards. (7695; 1899, c. 199, s. 3.)

2063. *Duties of boards.*—Each of such boards shall recommend to such commission the discharge of any inspector deemed by them incompetent or otherwise unfit and make such other reports and recommendations as they deem advisable. (1899, c. 199, s. 4.)

2064. *Salaries.*—The salaries of the members of such boards shall be fixed by the commission and approved by the governor, and such salaries and all their necessary expenses shall be paid out of the grain-inspection fund on the order of the commission. (1899, c. 199, s. 7.)

2065. *Chief inspector.*—Such commission shall appoint a chief inspector, whose term of office shall be for two years, unless sooner removed by the commission. Such inspector shall give bond to the State in the sum of \$10,000, with sureties to be approved by the commission, conditioned for the faithful and impartial discharge of the duties of his office, according to law and the rules and regulations prescribed by the commission, and the payment of all damages sustained by any person, caused by his failure to perform such duties. (7680.)

2066. *Deputy inspectors.*—The chief inspector, with the approval of the commission, shall appoint such number of deputies as may be required. One such deputy in each of the cities of St. Paul, Minneapolis, and Duluth shall be styled

"chief deputy." Each deputy inspector shall give bond as required of the chief inspector, but in the sum of \$5,000. They shall be under the control and supervision of the chief inspector, and may be removed by him. (7681, 7682, 7684.)

2067. *Standard samples*—The chief inspector shall furnish standard samples of grain of each Minnesota grade to any grain warehouseman in the State, upon request and payment of the actual cost thereof. (7696.)

2068. *Duty of inspectors*—Such inspectors shall inspect and grade all grain received at or shipped from any terminal warehouse in carload or boatload lots, and give a certificate of the inspection to the person entitled thereto. Their decisions shall be conclusive as to the grade and dockage of such grain, and the certificate shall be evidence thereof, unless changed upon reinspection or appeal. (7691.)

2069. *Appeals*—Any owner, consignee, or shipper of grain, or any warehouseman, who is dissatisfied with the inspection of grain by any chief or deputy inspector, may appeal from his decision to the nearest grain-inspection board by filing notice of such appeal with the chief deputy inspector and paying a fee, to be fixed by the commission, which shall be refunded if the appeal is sustained. Such deputy inspector shall forthwith transmit the notice to said board of appeals. The decision of said board fixing the grade of such grain shall be final. (7692, as amended, 1907, c. 55.)

STATEMENT OF MR. J. C. F. MERRILL, OF CHICAGO, ILL.

MR. MERRILL. I am here as the delegate of the National Grain Dealers' Association and also as a representative of the Chicago Board of Trade.

MR. TOWNSEND. What is your business, Mr. Merrill?

MR. MERRILL. For thirty years I have been the grain handler on the Chicago Board of Trade in the Chicago market.

MR. TOWNSEND. Buying real grain?

MR. MERRILL. Sure thing. By "grain handler" I mean a man who receives grain from the West on consignment and ships it East on orders.

The friends of Federal inspection of grain have intimated, or perhaps openly charged, that the terminal elevators—and that is the subject assigned to me by the National Grain Dealers' Association—make profits inconsistent with fair treatment of the farmer; and that they also mix lower with higher grades of grain, to the detriment of both the producer and the consumer. Those are the statements, as I understand them, that have been principally made.

Now, the terminal elevator, with the time limit, consists of two types in most of the large markets—in all so far as I know, and certainly in Chicago, where we have about 60,000,000 of storage, about half of which is terminal and the other half, perhaps not quite all of it, is regular. I will dispose of the regular first. They are houses licensed by the State for public storage only. They are prohibited by law from having machinery or any other means of improving quality, and they exist as storage houses only, their income being the storage rates. They are open to the public, grain of like quality of grade is stored together in bins, certificates are issued therefor, and they are registered by a State registrar under our State law when they become negotiable.

MR. TOWNSEND. Who determines that the grain is alike in quality?

MR. MERRILL. The inspection. No. 2 spring wheat will be unloaded in a bin containing No. 2 spring wheat.

The CHAIRMAN. The inspectors are State officials?

Mr MERRILL. Yes, sir; and I will reach that point shortly.

The grain, as you will see, is thoroughly protected in its grading and quality. The public, or anyone caring to buy No. 2 spring wheat from a public elevator, gets it from those public bins, inspected out to him. Now, the private or terminal elevators of the class I think referred to by the honorable Senator who introduced the bill are private houses, commonly known in all the Middle West markets as private houses, and primarily these houses, of course, exist because of a necessity. Things do not usually come into being and exist for long without some good reason, and the good reason in this case is the neglect of the farmer to suitably prepare his grain for market. He gives rise to the need of a terminal elevator, for he ships his grain in the rough, containing much of the weed seed or other foreign matter, or perhaps he has allowed it to stand in the shock in the field in the storms until it is soft and damp and unfitted to go into general storage and must be improved. The terminal elevator men buy such grain, indeed, I may say that they buy in the aggregate fully 80 per cent of all the grain of all grades marketed in most of the large primary markets. They require the better qualities of grain for carrying some of the inferior qualities. To make that clear to you, they have a car of wheat weighing 62 pounds and another car weighing 2 pounds below. The two together will make two cars of 60-pound wheat, which would be what we would call "contract wheat," that is, deliverable within the requirements of the rule. I do not want to confine myself closely to that statement of test weight, because it has varied in different years under changing conditions due to the weight of the crop.

Mr. TOWNSEND. Is the 58-pound wheat ever inspected in as first grade?

Mr. MERRILL. No, sir; it would probably be inspected in as No. 3.

Mr. TOWNSEND. But inspected out as what?

Mr. MERRILL. Inspected out it is equally mixed with 60-pound wheat to comply with the rule, but it would be No. 2 wheat.

Mr. TOWNSEND. How would you classify the 62-pound wheat?

Mr. MERRILL. No. 2, the same. You see, there must be a bottom and a top. There can not be uniformity of every bushel of grain coming to the market; that would be impossible. Therefore, within the limits of a grade is a range something like this: The top grades standing nearest up to No. 1, just a hair line splitting the north and northwest side; and down at the bottom, just against the line, is the No. 3, with that hair line between. Now, inasmuch as classification of grain into grades is only an expression of human judgment, and not accomplished by any scientific process known, there may be variations of opinion.

Mr. RYAN. That would be when the weight is in question?

Mr. MERRILL. Not on the weight alone, but the whole general conditions, of course, are taken into account.

The CHAIRMAN. But a scientific investigation might help in determining the amount of moisture?

Mr. MERRILL. Yes, in corn or anything where it would be an element, but that is only one of many other conditions.

The CHAIRMAN. Why might not this wheat that you have spoken of as weighing 62 pounds be classified as No. 1; why classify it as No. 2? Isn't it because of this mixture?

Mr. MERRILL. It might be so called if it was equal to the requirements of a No. 1 grade in other respects.

Mr. HUBBARD. Does the seller of the 62-pound wheat fare any better than the seller of 60-pound wheat?

Mr. MERRILL. Yes; because, as I said, 80 per cent of this grain is sold to the terminal elevator men, and that is always sold on sample. In all the initial trades, that is, grain received in from the West, the sample as well as the stated grade is known to the seller and the buyer, and the terminal elevator men very often entirely discard the grade and simply handle it on its intrinsic market value; and that always largely enters into—in fact, it determines and controls—the price.

Mr. TOWNSEND. Does the sample by which the buyer purchases the wheat always fix the price, or is there another inspection after the wheat arrives?

Mr. MERRILL. It is first received, sir, inspected by the State department, and the grade fixed. The official sample from the car or the sample received is submitted for sale. That is the first appearance of the article in the market. After it has been examined the sample is put on the sample table and the buyer comes along. The seller says: "I offer you a car of No. 2 wheat, and here is a sample." The buyer takes it up, examines it, looks it over carefully, and says, "I will give you so much." Then he says: "Here, I have another car," and the buyer examines that and may say: "This is not worth within a cent or 2 cents, because it does not have the quality." They are experts there, and they are looking at the value of the finished product, the value of it to them rather than its apparent value. And right there is where the farmer gets full value for his grain.

Mr. HUBBARD. What proportion is sold by sample and what proportion simply by grade?

Mr. MERRILL. Eighty per cent, if not 90 per cent.

Mr. HUBBARD. And 20 per cent of it by grade without reference to the sample?

Mr. MERRILL. By going into the public elevators and sold on inspection certificate.

Mr. RYAN. Do you believe that Federal inspection would reduce the volume of the grain sold by sample?

Mr. MERRILL. No, sir; I do not. I do not think it would have any bearing on that point at all.

Now, I just want to say, with respect to the Chicago Board of Trade, distinctly: As some of you gentlemen may know, in Illinois, in 1858, under the Chicago Board of Trade, the classification of grain into grades was begun. That was the initial step in that direction taken in this country. In 1871, thirty-seven years ago, the Illinois legislature enacted our present law under which we have worked, and the State board of warehouse commissioners has had charge of the execution of the law. The grain handlers have worked very carefully and harmoniously with the State authorities, and we have brought this inspection system to the highest point of efficiency that has been possible. Under the law, in the Chicago market, we have 31 inspectors, 17 of whom have an average period of service of twenty-six years and some months. The other 14 have an average period of seven years and eight months. These men have made a life study of the grading of grain, and they are as fine experts in that

line as can be found. The fact that we have this efficient service would make us very slow—in fact, we would refuse, necessarily, as a matter of common business prudence—to permit it to be overturned and set aside in a day and Federal inspection fixing quality and quantity substituted therefor until fully tried out. I think you will agree with me that common prudence alone would force a double inspection in our market.

Mr. ESCH. Would it be possible for the Federal Government to employ your methods, those which you have proven to be of great value, or possibly employ some of your experts at a higher salary?

Mr. MERRILL. You might employ the methods, but I do not believe you could get the inspectors, because they are hard worked. The Government men would go on and work eight hours, while our men go on duty at daylight.

Mr. TOWNSEND. Then would they not be glad to change places with the Government men?

Mr. MERRILL. We would not let them. Chicago handles approximately in and out 500,000,000 bushels of grain annually. I think the Bureau of Statistics for last year gives a smaller quantity, 438,000,000 to be accurate. That of course does not include the intrastate—that is, in and out; it would include the in.

The CHAIRMAN. What do you mean by "handles?" Do you mean that the grain was physically handled in the elevators?

Mr. MERRILL. Yes; so many bushels of grain received and so many bushels of grain forwarded out.

The CHAIRMAN. Then when you speak of the business do you say that you have that?

Mr. MERRILL. We have that, and the records show it. The Bureau of Statistics will give you the figures for last year at 438,000,000 bushels of grain received at Chicago and shipped out—I do not mean 438,000,000 in and 438,000,000 out, but the in and out total is 438,000,000.

The CHAIRMAN. That would be shown by the records of the board of trade?

Mr. MERRILL. Yes, sir.

The CHAIRMAN. What would the records of the board of trade show regarding transactions in grain?

Mr. MERRILL. They will show you the daily average price.

The CHAIRMAN. What would those same records show the transactions of the board of trade during that period to have been?

Mr. MERRILL. In cash grain?

The CHAIRMAN. No, sir; in transactions.

Mr. MERRILL. In futures?

The CHAIRMAN. All transactions, of every character.

Mr. MERRILL. That would be a difficult question to answer.

The CHAIRMAN. Answer it if you can; as nearly as you can.

Mr. MERRILL. Well, I can not. I could not begin to even approximate the sum total of cars for future delivery; I have not given it any attention.

Mr. BARTLETT. But some six or seven times as much as the actual?

Mr. MERRILL. It might be.

The CHAIRMAN. Is it not a great deal more than that? Does it not reach annually twenty billions of bushels?

Mr. MERRILL. I am not trying to avoid your question.

The CHAIRMAN. I would like you to be frank, if you can.

Mr. MERRILL. I am entirely frank.

The CHAIRMAN. What is your judgment as to that volume of business?

Mr. MERRILL. It would be the wildest kind of a guess only, to take the figures that you have mentioned.

Mr. HUBBARD. But could you state an amount which you are sure would be within bounds?

Mr. MERRILL. The knowledge of the fact would imply an opinion as compared with what might be stated. I know that 5,000 bushels of wheat have been sold from five to twenty times during the day, just like a five-dollar bill in circulation as a medium of trade.

The CHAIRMAN. But to get back; give us, as an operator upon that board of trade, a man who has been there, I think you stated, twenty years, your judgment as to this volume of business.

Mr. MERRILL. I should be very glad, indeed, Mr. Chairman, to comply with your request. Of course it varies largely, and I will procure those figures and file them with you.

The CHAIRMAN. Will you do that?

Mr. MERRILL. I will do so, so far as I can.

The CHAIRMAN. Now, just give us your opinion, as it occurs to you—and this undoubtedly has been a subject that has been in your mind more or less at different times, as it has been in the mind of every intelligent man in the United States—you have some idea, and we want that idea.

Mr. MERRILL. Incidentally the future side of it. Mr. Foss, do you know; can you give me any opinion on that? [Addressing a gentleman in the room.]

The CHAIRMAN. I would rather he would not. I want to ask this question of a member of the board of trade first; I would like your opinion.

Mr. MERRILL. I am absolutely without an opinion, Mr. Chairman. I am entirely frank with you. It is very large. When you get into the hundreds of millions of bushels, as has been intimated, I would not undertake to make an estimate.

The CHAIRMAN. Do you assert here that you have no idea as to that volume?

Mr. MERRILL. Yes, sir.

The CHAIRMAN. You do?

Mr. MERRILL. As far as I am talking on the grain side of it now.

The CHAIRMAN. Do you believe that this statement that I have given, which is information that has come to me, is approximately correct?

Mr. MERRILL. My belief about it would be, so far as I have an opinion about it, that it is excessive, very excessive.

The CHAIRMAN. I have seen the statement, I have it from a report, that 100,000,000 bushels of wheat have been bought and sold on the Chicago Board of Trade in a day. Do you believe that to be correct?

Mr. MERRILL. Well, I would think that would be very large; I should think half of that might have been sold in a day.

The CHAIRMAN. What is the largest total of wheat that has ever been received, or has had a place upon the records of your board of trade, as actually present, in a single year?

Mr. MERRILL. I have not those figures with me, sir, but I would be very glad to procure them, because I can give you the exact data, as it would be a matter of record.

The CHAIRMAN. It is less than 60,000,000 bushels in a year, is it not?

Mr. MERRILL. It might be.

The CHAIRMAN. Well, I am asking your judgment, and you are here to enlighten us with regard to it.

Mr. MERRILL. Just let my mind work on that a moment.

The CHAIRMAN. And yet you think that 50,000,000 bushels have been sold in a day?

Mr. MERRILL. Possibly; there is a large speculation there.

Mr. CORNELISON. I am from Peoria, and there are other markets besides Chicago; and the only way we have to protect our trade—for instance, we buy a lot of stuff in Illinois, Iowa, and Nebraska and sell it to Chicago, but our grain never goes to Chicago.

The CHAIRMAN. I have been furnished with a multitude of explanations, but I want to get at the facts first, and then we will speculate as to why it is so.

Mr. BARTLETT. Tell me whether the price of wheat is fixed by the speculative price in the "pit," I will call it, or whether it is fixed by the price in London or Liverpool.

Mr. MERRILL. I would say, sir, that it is always fixed by supply and demand.

Mr. BARTLETT. I did not ask you that; I know that, too. I want to know whether the price you pay the farmer for his wheat in the West is fixed by the speculative price in the wheat pit, or whether by the price that the grain brings in foreign markets—London, or Liverpool.

Mr. MERRILL. I should say it is fixed, sir, on the shipping basis; but there have been times, there have been "corners," such as the Leiter corner, no one questions that fact, for it has occurred in the past. But we have had nothing of that kind for some time.

Mr. BARTLETT. When the Leiter corner ran the price of wheat up to \$1 a bushel, did the farmer get the benefit of that?

Mr. MERRILL. He got the benefit.

Mr. BARTLETT. That price was not fixed by supply and demand nor by the price in the foreign markets, but it was purely a speculative price?

Mr. MERRILL. Yes, sir. Still, Mr. Leiter sold many thousands of bushels of wheat at \$1.50 per bushel that the farmer got the money for.

Mr. BARTLETT. You spoke about corn; and the speculative transactions as to wheat, down as well as up. Speculation in wheat has been known to force the price down as well as up, has it not?

Mr. MERRILL. Yes, sir.

Mr. BARTLETT. When it forces the prices down, does that also affect the price paid to the farmer for his wheat?

Mr. MERRILL. The foreign market value, of course, always governs the price fixed for farm products.

Mr. BARTLETT. What do you call a "speculative price?"

Mr. MERRILL. The reflected price in the market, not only there but elsewhere.

Mr. BARTLETT. That is speaking of the real market, but I am speaking of the speculative market. Is it true that when the price is forced down by speculation that the farmers suffer, as well as they gain when the price goes up?

Mr. MERRILL. If he should sell it the day of that low price, he would have to sell it for less; but those conditions are exceedingly temporary, and they do not exist for any length of time at all.

The CHAIRMAN. What is the largest variation in the same grade of wheat you have known in the Chicago market in a day, from highest to lowest?

Mr. MERRILL. Eighteen cents in one day, during the Russia-Turkish War; but I have known, twenty-five years ago, in the celebrated Keene corner—my recollection is that the price varied about 20 cents.

The CHAIRMAN. In one day?

Mr. MERRILL. Yes, sir.

The CHAIRMAN. Was that affected by foreign demand?

Mr. MERRILL. No, sir.

The CHAIRMAN. Did that reflect the market price?

Mr. MERRILL. No, sir; that was purely, of course, a speculative condition of things existing then.

The CHAIRMAN. At what seasons of the year do these great fluctuations occur as a rule?

Mr. MERRILL. If there are any great fluctuations, of course they are incidental to the conditions which arise, not necessarily with respect to the crop, but that would affect the prices when we came to have knowledge about them. But there are so many things entering into the influences regarding the price of wheat, such as foreign situations that may develop and also the Argentine crop which comes in the winter—all of those things occurring at any particular time of the year will influence the price.

The CHAIRMAN. These corners that have been in existence at the time of great fluctuations always occur, do they not, when the speculators, or the men who originate them, know that there is comparatively but little grain in the hands of the producers?

Mr. MERRILL. I do not know; I don't think so.

The CHAIRMAN. Is not that invariable?

Mr. MERRILL. No, sir; I do not think it is.

The CHAIRMAN. You may proceed.

Mr. MERRILL. I was referring to the matter of 500,000,000 bushels of grain, and was about to remark that if all of that grain were to have Government inspection in and out at an average rate of 50 cents per thousand, it would mean a tax of \$500,000 on the grain entering the Chicago market alone.

Mr. TOWNSEND. Would Government inspection affect the speculative market at all?

Mr. MERRILL. None whatever; it could not have any influence on it.

The CHAIRMAN. Now, the present system imposes that tax upon the producer?

Mr. MERRILL. Yes, sir; and we should retain that.

The CHAIRMAN. Suppose there was Government inspection to take the place of this highly expensive system, paid for by the Government; then it would not fall upon the producer, would it?

Mr. MERRILL. The bill provides that it shall be assessed against the grain.

The CHAIRMAN. But suppose there was a modification of that.

Mr. MERRILL. Of course, if the Government wished to assume the expense of inspecting grain—

The CHAIRMAN. If the Government paid the salaries of officers of this character, as it pays salaries of its other officers, then that would be saved to the producer, would it not?

Mr. MERRILL. Yes, sir.

Mr. RYAN. But if you retain the present inspection system, you would charge that to the grain?

Mr. MERRILL. Sure, as we do now.

With respect to the terminal elevators: For this year the terminal elevators of Chicago with their driers have dried, for nearly four months, since the 1907 corn crop began to move in volume, easily 200,000 bushels per day of wet corn, corn which could not have been shipped to market if it had to be handled and consumed in its wet condition. That has helped, through the competition of these driers, to sustain the market. And it is very conservatively stated that that saving has amounted to at least \$2,000,000 in this time.

The oats crop is also one which the American farmer ordinarily abuses much by leaving it in the field, and I feel myself entirely conservative in saying that that crop is enhanced in value by the private elevator men, too, 3 or 4 cents per bushel.

The CHAIRMAN. But that enhancement occurs after it gets out of the hands of the producer?

Mr. MERRILL. Yes; but the strong competition for it forces these men to pay what it is worth to them when finished, and therefore the farmer gets it.

The CHAIRMAN. What is the percentage of moisture that may be in, say, No. 2 corn?

Mr. MERRILL. At this season of the year it is about 15 per cent; in the summer it is about 12 per cent.

The CHAIRMAN. What has been the average percentage of moisture in corn that has been received at the Chicago market this year—this last year's crop?

Mr. MERRILL. I should say 20 per cent; it has varied between 16 and 17 per cent and up to 32 per cent. I have had much to do with taking moisture tests for the board—we have no Government laboratory there, but we have two of the best testers at work all the time.

The CHAIRMAN. Is that a simple process?

Mr. MERRILL. Yes, very simple; accomplished in about 20 minutes.

Mr. ESCH. Mr. Merrill, in your terminal elevators in Chicago have you got the amount of No. 1 northern received and No. 2 northern shipped out?

Mr. MERRILL. Not with me; no, sir.

Mr. ESCH. Have you that data?

Mr. MERRILL. I could get it and file it with you.

Mr. ESCH. And also No. 2, 3, and 4, and no grade; the receipts and shipments out?

Mr. MERRILL. The State keeps a careful record of every car inspected in and inspected out. That is all a matter of very complete record.

Mr. TOWNSEND. You say you are going to keep the inspectors. Do you mean the State or the association of which you are a member?

Mr. MERRILL. The State; the grain trade—that would be the strong sentiment of the grain trade all over the State.

Mr. TOWNSEND. And they could control that situation?

Mr. MERRILL. I think the legislature would not care to override the wishes of the farmers everywhere. Our inspection certainly is very good. You have no one here telling you that our inspection is bad.

The CHAIRMAN. Is your inspection uniform?

Mr. MERRILL. Yes, sir.

The CHAIRMAN. Is the standard that is used uniform, taking season with season, or does it vary?

Mr. MERRILL. Sometimes the State board varies the weight of the grain. If the crop is light it is weighed, and they may lower it per bushel in order to admit it into No. 2 standard grades.

The CHAIRMAN. They have that authority?

Mr. MERRILL. Yes, sir.

The CHAIRMAN. Then there is no standard fixed by the commerce of the world, but fixed solely by the will of your board?

Mr. MERRILL. Yes, sir.

The CHAIRMAN. And that is variable at their pleasure?

Mr. MERRILL. By the State board.

The CHAIRMAN. They may vary it during a season if they choose; that is, the standard they fix on the 1st day of January may be lowered or raised on the 1st day of February?

Mr. MERRILL. I have never known of that, sir.

The CHAIRMAN. They may be?

Mr. MERRILL. I suppose they may be, if they tried to, but I have never known of their doing that.

The CHAIRMAN. So that the standard of excellence in all of these grades upon which the purchaser supposes he is paid is entirely within the will of those gentlemen who are officials of one of the States?

Mr. MERRILL. So far as the Chicago market is concerned; yes, sir.

The CHAIRMAN. Isn't it true that the opinions of those gentlemen are very largely influenced, as you say your legislature would be, by the wishes of the grain trade of your State?

Mr. MERRILL. Undoubtedly, sir, they would listen to them to a reasonable degree.

The CHAIRMAN. And the board of trade of Chicago is the mouth-piece of those wishes, is it not?

Mr. MERRILL. No, sir; I do not know that it could exactly be put that way. The grain trade throughout the State would be heard in the matter.

The CHAIRMAN. But you gentlemen would be the potential ones, would you not?

Mr. MERRILL. We would be perhaps the head that would move in the matter, but we always consult the entire trade.

The CHAIRMAN. But the potency that would produce the results?

Mr. MERRILL. No; I think the potency would be the trade at large, the trade of the State.

The CHAIRMAN. That is all represented in Chicago, is it not?

Mr. MERRILL. Well, we have the State Grain Dealers' Association, which is very prominent, and that would be listened to very largely.

The CHAIRMAN. Would it be the controlling force, or would the Chicago Board of Trade be the controlling force? I am asking now for your judgment.

Mr. MERRILL. There would not be any force exercised, but agreed to as the harmonious result of a conference.

The CHAIRMAN. There never would be any conflict?

Mr. MERRILL. I do not think so; no, sir.

Mr. HUBBARD. Is the board of trade accustomed to confer with the inspection officials as to the fixing of standards for a given year?

Mr. MERRILL. No, sir; I do not think it is; I have never known it to be. I have never known the board of trade to exercise any influence primarily.

Mr. RYAN. Will you please file with your testimony a copy of the rules and regulations governing the inspection of grain in Illinois?

Mr. MERRILL. I will be pleased to do so.

Mr. RYAN. With such change in memoranda affecting the changes that have been suggested.

Mr. MERRILL. Yes, sir.

The CHAIRMAN. You promised that you would give us a statement showing the transactions in grain of the board of trade.

Mr. MERRILL. I said so far as I can. Let me explain to you, Mr. Chairman: Transactions that are made in the pit are not publicly recorded in any way by the board, and I could not possibly, having no data of any kind, undertake to tell you, sir, how many trades there may have been in the pit.

The CHAIRMAN. Is there no record?

Mr. MERRILL. No; no record whatever, sir.

The CHAIRMAN. No official record?

Mr. MERRILL. No record of any kind; and anyone who tells you that it amounts to 20,000,000 of bushels is simply guessing, and that is why I have been unwilling to guess at it, for it would be a wild guess at best.

The CHAIRMAN. For instance, the seller makes a record of what he sells, does he not?

Mr. MERRILL. Yes; but he has it in his pocket.

The CHAIRMAN. And the other gentlemen make a record of what they buy, so that there are two records preserved of every transaction?

Mr. MERRILL. Yes; private, however, and not open to the public.

The CHAIRMAN. Is there no record, no suggestion of these transactions made to any officials?

Mr. MERRILL. None whatever, sir. They stand in trade just as you and I might trade here. No one has any more authority over them than they would have over us. You see, Mr. Chairman, why it is so impossible for me to answer your question.

The CHAIRMAN. Now, the newspapers have been giving us statements of these transactions.

Mr. MERRILL. But they are wild.

The CHAIRMAN. How do they get them?

Mr. MERRILL. They guess at half of them; they are just guessing.

The CHAIRMAN. Then, the statement that I referred to a little while ago of 100,000,000 bushels of wheat would be a mere guess of a reporter?

Mr. MERRILL. That is all, sir; just a mere guess.

Mr. ADAMSON. Did you say that you did not change the standard frequently?

Mr. MERRILL. Not frequently.

Mr. ADAMSON. Has there been any change in the standard for corn in thirty years?

Mr. MERRILL. There have been no material changes in the grading of corn. The changes that have been made refer to test weight per bushel. Usually that is the only change made, and it refers mostly to oats and wheat.

Mr. ADAMSON. I wish you would give me an answer with regard to a concrete case upon this matter, so that I can apply it to my people down in Georgia, as to how grain inspection would be benefited and how my people in Georgia would be benefited.

Mr. MERRILL. I can not imagine how they would be benefited, standing, as I do, opposed to Federal inspection.

Mr. ADAMSON. Whether our people could buy any better grain for the money, or get it for a less price?

Mr. MERRILL. They can not do it.

Mr. ADAMSON. Or a more certain quality, or get it drier?

Mr. MERRILL. The inspector would have to classify the grain presented to him. It must be seen that if the rules provided by the Government conform to those that have been worked out during all these years by the principles of trade, that the conditions would practically remain the same so far as the inspection is concerned.

Mr. ESCH. It is well known that grain deteriorates when raised on the same soil for many years. On that theory would not Dakota, for instance, be better able to raise more of No. 1 northern than an older country like Minnesota?

Mr. MERRILL. Yes, sir.

Mr. ESCH. If so, could you fix your standard so that you would pull down No. 1 northern from Dakota to the Minnesota standard, or lift the Minnesota standard up to the Dakota standard?

Mr. MERRILL. Thus far we have not changed that, because the northern section has still continued to produce a high quality of wheat. I understand that the south half of Minnesota can no longer produce No. 1 northern, and that the north half of the State can no longer produce but an inferior quality of it.

The CHAIRMAN. From the answers of a gentleman who spoke in behalf of the Minnesota methods of inspection I received the impression that the No. 1 hard wheat, or No. 1 northern, of North Dakota, produced on the new lands of North Dakota, was entirely lost sight of in inspection, and that it had to meet the treatment of the No. 1 hard produced on the older lands in Minnesota and of an inferior quality.

Mr. MERRILL. I would not be an authority on that at all. I do not know anything about it, but we have gentlemen present who can answer that question.

The CHAIRMAN. And that the standard was that of the grain produced on the older lands.

Mr. MERRILL. Well, I believe it to be true, Mr. Chairman, that the choice wheat, the top of the grade of No. 1 northern, such as comes from North Dakota, would be above the requirements of the grade,

but we do not intend to have those grades so high that they are not practical.

STATEMENT OF MR. CHARLES A. MAGNUSON, OF MINNEAPOLIS, MINN.

Mr. MAGNUSON. In regard to the grading of the Minnesota inspection department, their grade is No. 1 high, which is the highest grade there is anywhere. The next grade is 1 northern, the next 2 northern. There is no No. 1 hard wheat in Minnesota. There is very little No. 1 northern. Still the grades in Minnesota are covered by the 1 northern and 1 hard, because of the wheat coming from North Dakota. There is no wheat coming to Minnesota that grades 1 hard, excepting that which comes from North Dakota.

The CHAIRMAN. Is there some from Winnipeg?

Mr. MAGNUSON. If any comes from the Canadian provinces, yes; that is equal to the North Dakota grade. But some of it goes to Duluth under bond, which is also graded there. But North Dakota gets the benefit of that 1 hard grade, although it is not necessary for Minnesota to have a 1 hard grade, for it has no grain of that grade, and consequently they get the benefit of the price of 1 hard grain in Minnesota.

The CHAIRMAN. Then there are two prices for the same grade?

Mr. MAGNUSON. One price for the 1 hard, whether it comes from North Dakota or Winnipeg, because it is 1 hard.

The CHAIRMAN. But it is not graded as 1 hard?

Mr. MAGNUSON. Yes. I have compiled some statistics from about 700 elevators in North Dakota, and I find that 10 per cent of the grain in North Dakota, being graded by the State of Minnesota, grades No. 1 hard.

The CHAIRMAN. The chief inspector was here and occupied about two and a half hours of time, but he gave us no grade known to Minnesota higher than that of No. 1 northern, or No. 1.

Mr. MAGNUSON. Then the State inspector must have been mistaken, or else he may have been misunderstood.

The CHAIRMAN. Possibly.

Mr. MAGNUSON. Because the grade No. 1 hard is defined in the Minnesota inspection rules as grain that must weigh 58 pounds per bushel and must contain 75 per cent of the variety of Scotch Fife wheat, while their No. 1 northern is defined to weigh not less than 59 pounds to the bushel and to contain not less than 50 per cent of some hard variety of wheat. That is the difference. The specifications for the grading in Minnesota meet the requirements of the North Dakota best quality of wheat, and the price is accordingly.

Mr. A. L. SEARLE (of Minneapolis). I would like to correct an impression that the chairman may have drawn from Mr. Merrill's remarks, and that is that the Minnesota grades are not changed during the crop season. The law provides that the leading members of the board shall meet during the first week in September and adopt grades for the coming year, which grades shall not be changed during the year, so that they can not be changed to the detriment of the producers and to the advantage of the purchasers.

The CHAIRMAN. That is the Minnesota system?

Mr. SEARLE. Yes, sir.

The CHAIRMAN. And different from the Illinois system in that regard?

Mr. SEARLE. I am not familiar with the system there.

STATEMENT OF MR. ELY BERNAYS, OF NEW YORK CITY.

Mr. BERNAYS. I am a grain exporter in New York City, a delegate to the Grain Dealers' National Association conference here, and also represent the New York Produce Exchange. I have been allotted to speak, Mr. Chairman, about the export grain business of the United States. There have been some attacks made upon the export grain business which I want to refute in the name of the New York Produce Exchange, as well as all other exporting grain markets of this country.

Before I do that I believe it is necessary and important that I outline to you, Mr. Chairman, the way in which the American grain export business is done to-day, and I will be very brief, though it is important.

We have to look back at the history of the development of the American grain business, and that goes back, as far as large quantities are concerned, to the years between 1870 and 1875. It goes back to the time when the railroad system of this country was largely developing, and when at the same time the large countries in Europe changed from being agricultural countries to industrial countries. That necessitated the drawing of the bread supplies from other countries, and the United States of America was at that time, you may say, the granary of all Europe. The influence of the American grain exporter was so extensive that he could succeed in obtaining terms for the sale of his grain that he would not be able to obtain to-day, and that virtually no other country can obtain, and that was this, that he was able to sell his grain on a basis of a certificate of inspection issued on this side of the water, and that he was able by that certificate of inspection virtually to end and terminate his commercial transaction at the moment that his grain had passed the eye, the observation, of the American grain inspector, and that this certificate was accepted as representing the amount of grain that the foreign buyer had bought.

The CHAIRMAN. Amount or quality?

Mr. BERNAYS. As to the quality and condition; a certificate of inspection as to the quality and condition.

Now, this resulted, as I stated, in the sale of American grain on the basis of the certificate of inspection, and final as to the quality and condition. You will find that if you follow up the history of the development of the grain trade of America that as long as other countries came into the field foreign buyers began to make attacks upon the certificate of inspection of America, not so much because it was faulty, not so much because it did not represent what it purported to represent, but because there was a natural desire on their part to show the yoke that the American grain exporter was virtually being able to put upon the foreign buyer. And you will find, if you go further, that the claims against the American grain export certificate increase every time the European importers are not obliged to

draw their supplies from America, and they decrease at a time when Europe is absolutely necessitated and advised to buy American grain in large quantities. For instance, if you took the time between July, 1907, and December, 1907, you would find that there has not been, to my recollection, a single instance in which anybody in Europe has tried to assail the American inspection, simply because it was the only source of supply.

Mr. TOWNSEND. I do not quite understand the force of your argument. How does that constitute a yoke—I believe you used that word? Is there a necessity on the part of the foreigner to buy according to that certificate of inspection?

Mr. BERNAYS. He could not buy any grain from America on any other terms.

Mr. TOWNSEND. That is, importers have all agreed—

Mr. BERNAYS. The importers had to agree. The exporters have all agreed that they will ship grain from America to Europe only on the basis of the American grain inspection certificate, and that to be final as to quality and condition. Do I make that clear?

Mr. TOWNSEND. I understand that.

Mr. HUBBARD. Has any other country ever sold grain on the certificate of its own inspection?

Mr. BERNAYS. Never, to my recollection.

Mr. ADAMSON. Do you mean that at a time when they can get ample supply from Argentina or elsewhere the foreign buyer would not have to accept it?

Mr. BERNAYS. That is more a question of price than anything else.

Mr. ADAMSON. As I understand you, at a season of the year when the supply is abundant from other countries, then the foreign buyer is not obliged to accept the certificate; that is, he does not have to take the goods at that time?

Mr. BERNAYS. Yes, sir.

Mr. TOWNSEND. If that inspection is all right, what is the reason for complaint about the inspection?

Mr. BERNAYS. I will come to that later.

Mr. TOWNSEND. I understood you to say that there were complaints at times when they got grain elsewhere?

Mr. BERNAYS. I have read of complaints in a pamphlet issued as a Senate document, but I myself have exported for the past seventeen years—my records are open—I have exported between 40,000,000 and 45,000,000 bushels, which is a comparatively small quantity, but my records do not show a single complaint against any shipment.

Mr. ESCH. Does that include corn shipments?

Mr. BERNAYS. Corn, wheat, oats, barley, and rye shipments.

Mr. ESCH. The complaint against the corn was that there was a good deal of moisture in it when it arrived at European ports?

Mr. BERNAYS. I shall come to that a little later.

The importers of Europe were fighting against the finality of the American grain inspection certificate, and that culminated in the year 1905 in a conference that was called by the London Corn Trade Association, which was attended by the continental grain dealers from France, Italy, Germany, Belgium, Holland, and so on.

(At 12 o'clock noon a recess was taken until half past 1 p. m.)

AFTERNOON SESSION.

The committee met pursuant to taking of recess.

STATEMENT OF MR. ELI BERNAYS—Continued.

Mr. Chairman, I stopped at the remark that I made that the movement in Europe to treat the condition of the American grain inspection certificates to be final as to quality and condition culminated in the conference that was held by the London Corn Trade Association, and in which members of the grain trade of all Europe took part; and that conference was presided over by Mr. Patterson, at that time the chairman of the London Corn Trade Association, and in his introductory remarks at this conference Mr. Patterson made the following statement, which speaks for itself:

That of all institutions that were known to him and which had been devised by the human mind and exercised by human hands, and which gave, as the certificate, the seller so much power over the buyer, none was known to him that was exercised with such general honesty as the American grain inspection.

That is what the man said who presided over that conference.

The CHAIRMAN. What was the date of that conference?

Mr. BERNAYS. That conference was held, as I believe, in December, 1905.

The CHAIRMAN. We had a communication presented to the committee from him of a later date, I think, in which he criticizes many of the shipments that were made under that certificate inspection.

Mr. BERNAYS. Very possibly.

Now, the question comes up, Is this American certificate inspection satisfactory? And in order to prove that it is satisfactory I want to go back to the records of the port of New York, because that is a port where I have been able to get my data more easily than from any other port.

I have had the statistical department of the New York Produce Exchange make an extract for me of the exports that have been coming out of the port of New York during the last twenty years, from 1888 to 1907, and I find that the total in these twenty years has been 1,211,000,000 bushels and odd hundred thousands.

All these 1,211,000,000 bushels have passed through the hands, you may say, Mr. Chairman, of our inspection department. The figure is so great that it goes beyond the conception of the human mind to grasp it, because if you take this figure and reduce it to units it would mean you could fill 12,111 ships, so many ships that you could build a bridge of those ships from New York to Hamburg. And I have a right to suppose, from the knowledge at my disposal, that there have certainly been in these twenty years not more than 100 complaints, because the average of complaints during the past year, I being familiar with it owing to the fact that I am on the committee to which the complaints come, has not been more than three or four. And if you take this figure, that it amounts possibly to 100 complaints altogether out of a shipment of 1,211,000,000 bushels, that shows conclusively that the present system of certification of American grain is as near perfect as the human mind can make it, and certainly as perfect as any government could devise it.

But I want to go further, to prove to you how much reliance is put on the American grain certificates by the European buyers.

During the past three or four years, for reasons that are beyond the control of the farmer or the producer, in fact, beyond the control of any human agency, the corn crop has had a greater per cent of moisture than it has had in previous years.

The CHAIRMAN. Do these complaints that you speak of, 100 or so, include the complaints that are made because of changed conditions after shipment of corn, in the germinating months?

Mr. BERNAYS. That may be one or two of the complaints. Other complaints may be that the quality has not been fully to the satisfaction of the buyer; but the buyer when he made that claim did not consult the grading rules of the port that the grain left. For instance, before the committee on grading lately we have had a complaint from Portugal millers, in which they say they received grain which weighed only 62 pounds, No. 2 red winter wheat. Now, the rules of the New York Exchange provide that we shall grade No. 2 red winter wheat a minimum of 58 pounds, and these millers complained of grain that had a weight of 60 pounds.

So that gives you, Mr. Chairman and gentlemen, an example of the way in which these complaints are made and how justified or unjustified they actually are in the majority of cases.

I want to go back to this statement as to the moisture of the corn, and I want to say to you that there have been difficulties in getting just the right kind of corn to ship, and there have been dryers instituted, and there have been other agencies sought after to secure the buyer, and one of the agencies found, by which the American seller has been able to find reliable responsibility, was world-wide-known insurance companies, that are domiciled as well in America, through branch offices, as in Europe. It has been possible to bind these insurance companies to stand behind the American grain certificate and guarantee to the buyer in Europe, for a trifling premium, the safe arrival of the corn that he bought.

Mr. ESCH. Is that true of corn shipped from the Gulf ports?

Mr. BERNAYS. That is true principally of corn shipments from the Gulf ports, because they have been in such a condition that the buyer was ready to doubt their safe arrival.

We American sellers have naturally proposed to the buyer in Europe to guarantee him the safe arrival of his corn for a trifling premium, and let me say that this premium in no case has been over one-half to three-quarters, or in the utmost cases, 1 per cent, which to-day, at the average of the corn prices during the last few years, would not be more than one-half a cent a bushel.

What have the European buyers done? Have they accepted those guaranteed arrival terms? No; they have said to themselves, not to us: We have such a reliance, we put such a reliance upon the bona fide American grain certificate that we will not pay you one iota more for your corn if you even guarantee its safe arrival. The average of the arrivals anyhow is good and we take those chances ourselves, in fact we carry that insurance in ourselves. If anything in the world is proof of the honesty, of the safety, of the reliability of the American grain-inspection certificates, this certainly is.

The CHAIRMAN. Are those American grain certificates from the port of Norfolk, for instance, accepted in European markets?

Mr. BERNAYS. At present?

The CHAIRMAN. Yes, sir.

Mr. BERNAYS. I don't know.

The CHAIRMAN. Have they been during the last year?

Mr. BERNAYS. I don't think so.

The CHAIRMAN. Why?

Mr. BERNAYS. Because the Norfolk grain inspection was, in my opinion, not an inspection that was sufficiently safeguarded to insure the buyer that he was getting what he expected.

The CHAIRMAN. Then, when you speak of the American certificate of grain inspection you mean that certificate that is issued at Baltimore and ports north of Baltimore?

Mr. BERNAYS. When I speak of those certificates I mean those inspection certificates that are issued from ports where the board of trade exercises a sufficiently strong supervision over the inspection of grain to insure the buyer that he obtains what the certificate represents to be.

Mr. ESCH. Then there are different standards of efficiency in different ports?

Mr. BERNAYS. As in all human agencies.

Mr. ESCH. Would there be if there were Federal grain inspections?

Mr. BERNAYS. There is no doubt about it.

The CHAIRMAN. Could there not be a common standard?

Mr. BERNAYS. There certainly could not be a common standard under a Federal grain inspection, for certain reasons which I will explain. Climatic conditions, conditions of the soil, the producing country, conditions of transportation, conditions of fast steamers would vary in every port; you would not be able to get a uniform standard of grain if you wanted to ship grain from Galveston and grain from Boston, because the climatic conditions would allow and would necessitate such a vast difference in the standards between one port and the other that you would never get a uniform standard.

The CHAIRMAN. Will grain being in the process of elevation, being poured into a vessel, gain moisture in the port of Galveston or the port of New Orleans, in your judgment?

Mr. BERNAYS. I have never been in those two ports and I could not answer that question.

Now, it is intended to give us exporters some of this inspection, and, as I understand it, the intent is to make this Government inspection a scientific inspection.

The CHAIRMAN. Why do you say that? Why do you say scientific inspection, differentiating between a scientific and a practical inspection? Do you suppose that the inspection of the Government would lose the practical features that are necessary? Do they mean anything more by a scientific investigation? Do they mean anything more by the use of such an expression than such scientific appliances as would aid the practical man in arriving at his judgment?

Mr. BERNAYS. They would aid the practical man to arrive at his judgment by devices that would take such a time that it would virtually make that inspection impractical, and I want to explain that to you. If you take the situation at any of the ports you will find that when you want to load, say, a quantity—and there is always a question of large quantities involved in the export grain trade, as you are aware—you will find if you wanted to load, say, 100,000 bushels

of grain in the port of New York, you would have to put alongside the steamer at least 15 or 18 barges of different kinds of grain.

Now, let us follow out the process exactly as it occurs. The Government inspector would have to go down and look at that grain, look it over, and look at every one of these barges and see if that grain is fit and follows the requirements of the grade that is to go abroad—that has been sold in Europe.

The CHAIRMAN. Where do those barges come from?

Mr. BERNAYS. They come from the grain elevators; they are loaded at the grain elevators with the grain and are put alongside the steamer.

Now, the Government inspector would go down into the barges, and in order to find if these grains that are put alongside fill the requirements of the grades to be put aboard he would possibly say, well, this grain we have to investigate first scientifically; we have to put it to a moisture test. This grain we have to put to a moisture test. That would not be allowed under the inflexibility of any governmental function—for a man to use his personal judgment—or, at least, that is my conception of any law.

The CHAIRMAN. Why do you arrive at that conclusion?

Mr. BERNAYS. Because the law makes it necessary for him not to use a judgment, but just to use that scientific instrument and test his own judgment. He would only have to go to the laboratory, the steamer would have to wait; the steamer possibly is late. Then he would possibly decide that this grain does not fill the requirements; it has to be eliminated and substituted by some other grain. Now, so much time would elapse through that process that very likely there would be delay in loading the steamer; very likely there would be demurrage on that steamer; very likely there would be a default on a European contract, the consequence of which I could not give you any calculation of; they are untold, innumerable. Whilst at present the inspector uses his own personal judgment, his own experience—and the arrivals have warranted his experience—so that he can say that that corn will safely arrive in Europe and that corn will not.

The CHAIRMAN. Well, now, how does he arrive at that conclusion? It is not because of experiments that he has made before?

Mr. BERNAYS. No.

The CHAIRMAN. Does the inspector that you use now ever resort to any of these scientific methods?

Mr. BERNAYS. Afterwards, to test his own judgment.

The CHAIRMAN. And he arrives at that perfection of judgment through the use of these tests?

Mr. BERNAYS. Yes, sir.

The CHAIRMAN. He makes them after using his judgment, while the Government inspector, you say, could make those tests before passing his judgment on the grain?

Mr. BERNAYS. That is it; yes, sir.

Mr. ADAMSON. He has become so skillful that upon his own judgment he can approximate the quality of the grain without experiment?

Mr. BERNAYS. Exactly so.

The CHAIRMAN. And that resort to his own judgment you think would be denied to him if he was a Government inspector?

Mr. BERNAYS. Undoubtedly so. That is the way I conceive of the majesty of the law; of any law.

Now, to go a little further and mention a point that has already been mentioned here. This thing would become disastrous in case of an appeal, because when I, as a shipper, will not agree with the judgment of the inspector, I will have to go to Washington; according to the letter of the law that is proposed for enactment, I would have to wait for the decision at Washington, and in the meantime my steamer could not be filled, my contract would be in default.

The CHAIRMAN. What is the method now when there is disagreement between the shipper and the inspector?

Mr. BERNAYS. The method now is that immediately the inspector alongside the ship finds that in his judgment the grain does not fill the requirements he draws a sample from all parts of the boat, sends it through special messenger to the inspection department, and a committee on appeal is hurried together, and so it does not take more than seven or eight minutes for that committee to give a decision.

The CHAIRMAN. Then a similar method, if adopted by the terms of this law, provided for in this law, would obviate the distinction that you make in regard to the uncertainty of delays?

Mr. BERNAYS. It would, Mr. Chairman; but can you conceive a situation that merchants shall sit as a court over something that the Government finds at fault?

The CHAIRMAN. But they do it now under the present system.

Mr. ADAMSON. Unless details were prescribed in the law, such as to forbid the personal judgment, of course they could go ahead just as they do now, examine it and pass judgment on it.

Mr. BERNAYS. They could not pass any judgment over—

Mr. ADAMSON. There must be something in the law for that.

Mr. BERNAYS. Over the inspection department, that is not under their jurisdiction.

The CHAIRMAN. Don't you think you exaggerate the difficulties that appear to your mind because of the scientific examination that you have conjured up?

Mr. BERNAYS. I have tried to keep within the most modest bounds in any statement that I have made.

The CHAIRMAN. Do not understand me as criticising unpleasantly any statement that you have made.

Mr. BERNAYS. I understand, Mr. Chairman, but I have tried to give you the situation so that you will be able to understand the difficulties under which we merchants would be working if any of these laws were to be enacted.

The CHAIRMAN. Do not understand that there was anything offensive in what I said; I did not mean anything of that kind.

Mr. BERNAYS. I understand that.

Mr. ADAMSON. The word scientific need not scare anybody; it simply means to know something about it; that is all scientific means.

Mr. BERNAYS. Now, I want to touch another question. Under the present system of inspection—

The CHAIRMAN. I ought to say this here; that I do not want you to understand me as favoring this bill that is before us or being adverse to it; I am trying to get your opinions and the best information that I can.

Mr. BERNAYS. And I am trying, Mr. Chairman, to give you as unbiased information as any man who understands the business can

possibly give you, and if I have gone into any detail that is perhaps obnoxious to you I apologize.

The CHAIRMAN. Oh, it is not.

Mr. BERNAYS. And if I have not been clear enough to make it clear to your mind I am ready to be asked questions.

Another question I wanted to bring out was the responsibility of the Government.

At the present time the grain-inspection department stands behind the certificates, not only by their reputation, but with the money at their disposal, and it is an open question to me if any merchant would ever be able to hold a Government agency responsible for any fault that any inspector should have made or for any misjudgment that he should have exercised.

I want to point out that there have been cases on the Atlantic seaboard where the shippers of the inspection department have found that a mistake had been made and that special envoys have been sent over to Europe to make good, and the man who has done that is right here in this room, and he can tell you all about it, and it redounds to his glory and his reputation that he has done so.

Now, what would the Government do? I am not here to ask questions; I am here to answer questions. But I am only bringing this matter up to show what danger there would be connected with it if the Government should really undertake to go into the grain-inspection business.

I want to go a little further than that. We are holding grain in New York, and I am always talking New York, not because I love Cæsar less but because I love Rome more; we are in New York, we are warehousing grain, we have to combat a climate that is a real fiend to all kinds of grain, and there are times when the grain in the warehouses that has been inspected gets injured. But there are warehouse certificates out which are resting in banks who have lent money on it, and what are we doing? We are spending money day and night and all the time, if this occasion arises, to keep that grain in order. We are taking the money from the grain-inspection funds, if the occasion arises, to keep that grain in good order and good shape.

Now, would the Government do that?

Mr. ESCH. As a matter of fact, all grain that is grown in the region of the Dakotas, for instance, and even Minnesota, when it comes down to the level of the seaboard, accumulates moisture, does it not?

Mr. BERNAYS. I really could not answer that question in a scientific way; I could only answer it from the standpoint of an experienced grain dealer. We say that when grain comes out of a very cold climate into a very uncertain, moist, unreliable climate, such as New York, it changes its condition.

Mr. ESCH. And it adds to its weight?

Mr. BERNAYS. No, sir; it does not.

Mr. ESCH. Would not that grain accumulate moisture coming to the seaboard, and therefore if it did would it not add it to its weight?

Mr. BERNAYS. I could not answer the question if it adds moisture. I could only say, as I have said before, that it changes its condition. It certainly does not add any weight.

The CHAIRMAN. Your statement differs from statements that have been made here, that in going through moist climates—Gulf ports,

for instance—that grain does accumulate moisture and therefore increases its weight.

Mr. BERNAYS. Well, these people may know. I have said before I don't know if it does. I know it changes its condition.

I want to occupy your time only a few minutes longer, but I want to lay stress on one other phase of the matter.

There is only one country in all the world where Government inspection is exercised, and that is the Dominion of Canada.

A question will come up: Is that inspection satisfactory? If it is, why; and if it is not, why? And I will try to answer that question.

In order to get thoroughly acquainted with the existing conditions I went up to Winnipeg during the last fall and stayed there several weeks to get thoroughly acquainted with the matters, and I found this: That if the Government inspection in Canada is satisfactory, it is satisfactory only to the buyer in England. It is certainly most unsatisfactory to the farmer in Canada. And I want to give you the reason why.

The Government law in Canada dealing with grain inspection forbids any mixing. I believe it is intended to forbid any mixing in America, too. This law forbidding any mixing will put the farmer in just this position: That when he sends a car of wheat to market, and that car of wheat is on the border line that we have heard about this morning between the grade of No. 1 and grade of No. 2, the Government inspection, in order to be absolutely safe, grades that car No. 2. The consequence is that that farmer gets so much less for his grain than he would obtain if that car were allowed to be sold on sample and if that car were allowed to be used to either lower the upper grade or elevate the lower grade.

Now, during my whole stay in Winnipeg, which lasted ten or eleven days—I could not exactly say—I have not been able, excepting in the inspection office, to see one single sample of one single car of wheat; and yet, through those elevator concerns and through those commission merchants up there, the whole crop of the Canadian Dominion, except in the provinces of Ontario and Quebec, is handled, and they are not allowed to use their judgment, their knowledge, their experience in handling that grain. It is just handled as you would put a letter on file in a post-office box, No. 2, No. 2; No. 3, No. 3; No. 4, No. 4; No. 5, No. 5; and the discounts that are exacted from the farmer on the lower grades of wheat are simply preposterous; they could never exist if the elevator man would be allowed what is allowed in America—to mix that grain and use it for such purposes as he may see fit.

The CHAIRMAN. Do you regard their system as very faulty?

Mr. BERNAYS. I regard that system as absolutely detrimental to the interests of the farmer. I regard it as a pioneer system, and I believe it will never last with the development of the country.

The CHAIRMAN. Now, why do you assume that that faulty system would be adopted by the United States?

Mr. BERNAYS. I assume nothing. I only know that when we have Government inspection that there is no other way open but to throw a car of No. 2 wheat into the bin with other No. 2 wheat; that there would not be the possibility of preserving the identity of one of the other cars, and that is really what the letter of the law says that you have before you.

IN conclusion, MR. Chairman, I want to say this: Not from the buyers in Europe has the grain trade of this country and the grain exported been assailed; the assault has come from the very men in this country, and in order to prove to you that anything and everything that is done with regards to export trade—and I believe I can speak for the domestic seaboard at least—is open and above board, honest in purpose and intent, I declare to you the readiness to undergo the most thorough investigation on your part by any committee you may designate and to prove to you that the complaints that have been made against the American grain-inspection certificate are unjustified and unwarranted.

MR. REYNOLDS (president of the Grain Dealers' National Association). MR. Chairman, we simply extend to you gentlemen the opportunity to ask any question, and as I am with these gentlemen I will designate who I think can answer questions, if there are any asked by the chairman or members of the committee. In addition to that we have a short statement to be presented by Mr. Grimes, which will not take over three or four minutes. If there are any questions, we will be glad to have you ask them now.

MR. ESCH. Here is one question I would like to ask, based on the Senate report [Senate document No. 116], setting forth the report of Consul-General Skinner, of Marseille, and also of Prof. R. W. Austin, Glasgow, relating to the failure of American grain to come up to the standards, and showing a growing prejudice against American importations of grain.

MR. REYNOLDS. MR. Bernays will answer that question.

MR. BERNAYS. I have read these statements. I am awfully sorry that the man did not cite cases; awfully sorry. In fact, that is generally the case in these complaints, that they are of such a general character that you can not investigate them, that you can not get to the bottom of them, that you can not refute them. Now, let me tell you my experience with Marseille.

Since three years, since the time that Durham wheat has been so amply raised in the Dakotas and in Minnesota, we have been doing an enormous business, an unprecedented large business in those Durham wheats, with Marseilles. I think during the last three years I have sold to Marseilles alone, and I am only a small exporter, a little over 2,000,000 bushels of Durham wheat, all through one port, all through New York. I assure you, MR. Chairman, that I have not heard a single complaint about any one of those shipments that I have made to that port, and I think I am therefore entitled to speak privately as an authority on that subject.

MR. REYNOLDS. If there are any other questions, gentlemen, I will designate members of our committee to answer them.

STATEMENT OF J. C. VINCENT OF BALTIMORE.

MR. Chairman, I can indorse somewhat the remarks of Mr. Bernays and also the gentleman on my right who inquired about Mr. Skinner. I would state that I have noticed in the consular reports a letter from Mr. Skinner and statements. I took the matter up with him at that time. I had correspondence with him. I showed him that he was not familiar with the export grain business on the other side.

I have also looked into the matter regarding the definition of what has been referred to by Senator McCumber, of the uniform grade and the difference in the phraseology, and inasmuch as this Mar-seilles business has been referred to, I would mention that Durham wheat has been known as macaroni wheat.

It was started in this country by the Department of Agriculture and, as you all know, perhaps, it was developed—the market found for it. That market was found first in the Mediterranean, because it was used in the manufacture of macaroni. It was afterwards found in other ports of Europe. They required samples sent. Samples were sent, called “Durham wheat,” because the Government called it “Durham wheat,” and I myself have had letters from the other side written after those samples were received, and they said they did not want Durham wheat, they wanted macaroni wheat.

That shows when the question of uniformity comes up we might have called it Durham wheat in the first place, but it was the merchants and the exporters who found the market for that wheat which was being propagated first through the efforts of the Government.

Now, with regard to the question of moisture, I would like to have something to say on that, on corn especially, the question of uniformity of grades on that, the question of the Government fixing a standard. Mr. Shanahan, who represented the Government at a meeting of the uniform grade Congress, referred to the law which was passed by which these laboratories were arranged for by the Government, and indeed he stated, and it is stated, that it was in view of finding a test, a reliable test, for the inspection of grain. That, I think, is sufficient to cover the question as to the scientific view, why we should think and believe that the Government intends to grade on that scientific basis.

Inasmuch as I represent Baltimore, I have been brought in close contact with the bureau of complaint's industry in working out the moisture tests on corn.

It has been stated, twelve months ago, by Mr. Shanahan, representing the Government, that they were not in position then to be able to agree on tests that would be unassailable. I claim they are no better prepared now than they were then.

The Government has tested up to Saturday, since they started their laboratory in Baltimore, about 3,600 samples. I have in my possession letters from the expert in charge showing a variation in moisture in the top of the grade and the bottom of the grade, as I call it, and which has been referred to before, that there must be a dividing line—No. 1, 2, 3, 4, or steamer. You can not have it on the same line. Therefore you can not have a uniform standard. You must have a variable standard.

If the Government based inspection on tests, there is nothing to my mind said or has been said except to leave the exporter and to leave the farmer to suppose it will be on a scientific basis. There is nothing to show that the farmer is going to be any better off. We have had tests of corn shipped from the West, 19 per cent, corn that was supposed to be kiln dried, arriving at Baltimore with 22 per cent. Corn I know of my own knowledge, from tests made, corn that has been dried within twenty-four hours, will absorb moisture. I also know that damp corn in its natural state under certain conditions will lose moisture and will improve under certain conditions of weather.

But to say or to believe that the Government can carry out what the commercial organizations are doing I myself am satisfied that it is impossible. Corn that is shipped and graded at the seaboard, that has been tested for the Government, arrives on the other side with a different per cent of moisture. Now, if you have a grade based on moisture tests, based on a percentage of moisture, what protection is there to the continental buyer or to the shipper on the other side?

I simply make the remark I have on account of the close connection I have had for twelve months in the laboratory, and based on the understanding when that laboratory was started in Baltimore that there was no idea of Government inspection, but it was to help the commercial organizations. I thank you.

The CHAIRMAN. Just a moment. Take the case of two carloads of corn that are precisely alike, excepting that one has 17 per cent of moisture and another 16 per cent. What would be the difference in their gradings?

Mr. VINCENT. On 16 and 17? At the present time there would be no difference.

The CHAIRMAN. No difference?

Mr. VINCENT. The condition, of course, would be different, but if that was the same in color and quality there would be no difference in the grading. Of course there is damaged corn, and a difference of color would come into account.

The CHAIRMAN. What would be the difference in moisture that would affect grain?

Mr. VINCENT. That is what the Government laboratory and ourselves are trying to find out.

The CHAIRMAN. Say that the two carloads are alike except that there is a difference of 1 per cent in moisture. You say in that case they would be graded alike?

Mr. VINCENT. Yes, sir.

The CHAIRMAN. What per cent must exist in order to give them different grades, on the basis of their being alike with respect to moisture?

Mr. VINCENT. The grades have been running, based, as far as our judgment is concerned, with the information we have had, that they vary about three points.

The CHAIRMAN. So that where one grades 16 and the other grades 19, when they show that percentage of moisture they would still be in the same grade?

Mr. VINCENT. Of 15 to 18.

Mr. RICHARDSON. Are not the conditions of moisture affected by the seasons?

Mr. VINCENT. Certainly.

Mr. RICHARDSON. More in one season than in another?

Mr. VINCENT. Yes; I would state in regard to what an off-grade corn is, that there is a greater variation in that than in the higher grades. Maybe 2 per cent or 1, and the other varies—

Mr. RICHARDSON. What season is it that the moisture mostly appears in the corn? You say there is a difference because of the seasons. What is the season when there is the most moisture in the corn?

Mr. VINCENT. It depends on the condition of the crop. This last crop, corn had been coming in moist in February and March, more

moist corn has come to the seaboard than in January, but it depends on where it is shipped from and how the farmers ship it. This season, in view of past experience, some sections of the country held back, based on the efforts of the seaboard and the Agricultural Department, not to have farmers ship corn until it was supposed to be in condition to carry.

The CHAIRMAN. All new corn is over moist, is it not? You would not buy the crop of last year in the first of November at all, would you?

Mr. VINCENT. It is sold for future shipments.

The CHAIRMAN. There is too much moisture in it.

Mr. VINCENT. It is sold for future shipments.

Mr. RICHARDSON. Do you make a dock; do you deduct from that corn on account of the moisture?

Mr. VINCENT. No; it is sold on its merits. If it is put through the dryer on account of the western man, he gets the benefit of it after it is put in condition.

But what I wanted to say was that all these things have been brought about for the benefit of the farmer and for the protection of the trade, and I doubt if the Government would have thought of it in the first place if we and others had not helped them to do it.

The CHAIRMAN. What percentage of the corn that comes to Baltimore goes through the process of drying, the artificial process?

Mr. VINCENT. It would seem within the last three months, December, January, and February, that there were over 3,000,000 bushels went through the dryer.

The CHAIRMAN. What percentage is that?

Mr. VINCENT. In the month of December there was about 47 per cent of the total receipts what we call off grades. In the month of January there was about 43 per cent. I have not last month's figures, but I should judge that there was about 50 per cent.

The CHAIRMAN. I am trying to find out what percentage is necessary to put through the dryer.

Mr. VINCENT. In the month of December there was 46 per cent of the crop that moved to Baltimore.

The CHAIRMAN. You said it was off grade. I thought it might be for some other reason than moisture.

Mr. VINCENT. Most of it was moisture; there may have been a few other cars.

Mr. RICHARDSON. You mean that the State system of grain inspection is very efficient and wholesome, do you not?

Mr. VINCENT. We have no State inspection.

Mr. RICHARDSON. Excuse me; I thought you were from Illinois.

Mr. REYNOLDS. Now, if there are any more questions to ask on any line regarding this, we will be glad to have some of us answer them.

The CHAIRMAN. Are there any other gentlemen that want to speak? If so, we will be glad to hear from them, and if questions are suggested, we will ask them.

STATEMENT OF MR. H. S. GRIMES, OF PORTSMOUTH, OHIO.

Mr. Chairman, there is no question in my mind, and I do not believe there is any question in the minds of you gentlemen here, either,

that this agitation has been brought about by complaints and complaints originating in all probability from the producer.

In November there was a meeting at Indianapolis, called for the purpose of taking up the questions that you are now agitating among the grain men—that is, the dealers. The South as far as New Orleans was represented, the coast was represented, the East was represented, the West was represented, the far Northwest was represented; in fact, we had a representative body there, composed of the largest shippers of grain in the United States. This meeting here to-day is an off-spring of the meeting held in Indianapolis.

There was a resolution passed at that meeting, which is embodied in the report which you have here, authorizing that the matter be taken up with the Grain Dealers' National Association, an organization which not only looks to the interests of the grain dealers, but devote as much of their time to the interests of the producer, for what is to the interest of the producer can not help but be to the interest of the dealer. That body was unanimous in opposing the Government inspection of grain, for reasons that they felt that the inspection they now had was sufficient. On the contrary, there is no question in my mind but that your committee, in bringing this matter up, and in Mr. Hepburn in bringing the bill up (while he says himself he is not in favor of it or opposed to it), there is no question but what you are doing it in the interests of your constituents—and your constituents, of course, consist of everybody in the United States.

We feel as members of the Grain Dealers' National Association that you want to be fair not only to the grain dealers but to the farmers.

This morning at our meeting we sifted the whole matter down and came to the conclusion that perhaps by embodying in this resolution what I will read to you that it might be possible that you gentlemen will take a different view of it and do something for us. What we would like would be for you to appoint a commission to make a thorough investigation, and if there are rascals in the grain business there is no one that wants to know it more than the members of the Grain Dealers' National Association. If they are there we want them weeded out, we are just as anxious to have them weeded out as the farmers who make complaints, and we will assist you in every way possible in the investigation, if upon the investigation, which no doubt will be as thorough as can be, we find that you are right, that Government inspection would be the proper thing, there is no organization in existence that will agree with you and assist you in bringing that about more than our association.

Now to get the thing down in short space, we adopted the following resolution, which I will read:

Whereas there has been introduced into Congress several bills providing for the Federal inspection of grain; and

Whereas these measures are predicated upon the assumption that the present system of grading and classification of grain is faulty; and

Whereas there are public utterances of people unconnected with the grain trade which would indicate that the business methods of that trade are not consistent with fair and upright dealing; and

Whereas it is believed that the grain trade is composed of gentlemen of high morals, who conduct their business honestly upon proper lines and without inordinate profits in any of its branches; therefore be it

Resolved. By the Grain Dealers' National Association and other representatives of the grain trade in conference assembled at Washington, March 16, 1908, that the Congress be, and it is hereby, petitioned to appoint a commission to investigate the grain trade in respect to the first handling from the farmer, its transportation, the handling at terminal markets, the export of grain, and kindred matters, it being firmly believed that such an investigation would vindicate the grain trade and forever set at rest the unwarranted agitation for governmental control of the inspection of grain.

Be it further resolved, That a copy of this resolution be transmitted to the President of the United States, the Secretary of Agriculture, and to the House Committee on Interstate and Foreign Commerce and the Senate Committee on Agriculture and Forestry.

A. E. REYNOLDS, *President.*

JOHN F. COURCIER, *Secretary.*

Mr. GRIMES (continuing). Now, gentlemen, we ask you, I as a member of the National Grain Dealers' Association, ask you to kindly take this resolution into consideration. We thank you very much for your hearing.

Mr. RICHARDSON. Some of us believe that the Federal Government ought never to use its power or aid in any manner where the State can safely and properly take care of the situation. So in this matter of grain inspection, do you not think it is something that the State can safely and properly take care of, can it not manage it a great deal better than it would be managed if you would have to come to Washington, far removed from your place of business? Would you not think that the honesty and integrity of local board would be just as strong and even stronger and more efficient than a board appointed by the Federal Government to meet here at Washington?

Mr. GRIMES. There is no question about it, the nearer you can get—

Mr. RICHARDSON. That is your view. You are opposed to Federal Government inspection where State inspection will answer the purpose, and I do not hesitate to say that I am, too.

Mr. GRIMES. Well, I want to say this—

Mr. RICHARDSON. Where good can be accomplished through the States.

Mr. GRIMES. I am not opposed to anything adopted by the Government or the States that will benefit the farmer or the producer.

You will possibly act upon this resolution. Take the citizens from the States, take farmers, take your legislators, take a certain number of grain men, and appoint them as a committee to investigate this question thoroughly, and if it is their decision that it is good policy for the Government to take this grain inspection in hand, I say, God be with you.

Mr. REYNOLDS. Now, Mr. Chairman, this terminates the hearing as far as we have prepared it, but still there is an opportunity, if you wish to put matters before us, for us to answer to our best ability. Otherwise, we wish to thank this committee for their very kind and courteous attention and for giving us much more time than we had expected, and wish to say that the Grain Dealers' National Association is at your service in the way of giving any information at any time or sending representatives here to help in any way that you may want us to help you.

Mr. VINCENT. Baltimore has some papers that we would like to file, if you have no objection.

The CHAIRMAN. There will be no objection.

Mr. Louis Miller, representing the Baltimore Chamber of Commerce, submitted the following paper:

STATEMENT OF MR. LOUIS MILLER, REPRESENTING THE BALTIMORE CHAMBER OF COMMERCE.

Mr. Chairman and gentlemen of the committee, the question of Government inspection, brought up by the introduction of three bills in the House of Representatives, is quite a disturbing feature in the grain business. We look upon Government inspection as an unconstitutional act, because it interferes not only with the right of the individual State to control business transacted within its borders, but also because it affects and destroys the individual liberty of its merchants. Instead of relying upon himself, his own judgment and knowledge of the article he trades in, the merchant is compelled to submit to the decision of officials who are forced upon him by a higher power, which power and its creature may or may not have the necessary knowledge and discretion to manage affairs for which the merchant alone is responsible, and profit or loss of his trading and all his work will naturally under such circumstances not be the result of his individual effort.

What is sought to be accomplished by introducing Government inspection of grain? Ostensibly the great goal to which all these bills aim is a uniform standard of classification of grading of wheat, flax, corn, oats, barley, rye, etc. This is in theory what is desired to be accomplished. But what are the facts? The United States is a country extending through all sorts of climates, with all sorts of soils, localities separated by thousands of miles, irrigated and not irrigated, prairie land and mountain land, great river bottoms, extending over hundreds of miles, and uplands with many soils. How in the world can corn, wheat, rye, etc., grow alike under such widely varying circumstances? We have dry seasons and wet seasons, early winters and late winters, summer drought, which almost kills the plant, and drenching rains, which soak it too much. How can uniformity be expected under such circumstances and how can a uniform standard be introduced? As a practical merchant engaged in this business for forty years, the result of my experience is that every year we must accommodate ourselves to the existing crops, and it is absolutely impossible for Baltimore, as an example, to adopt exactly the same methods as New Orleans, and in fact New York is compelled to manage its business somewhat differently even from Baltimore. It is not only because New York receives grain from different parts of the country than Baltimore and that Baltimore practically controls a territory which New York can not reach, but the terminal facilities of New York, as well as the large amount of tonnage supplied by very fast steamers, enables the trade there to establish different grades from those prevailing in our market. Why should the Government introduce a uniform standard? To please whom? Do the people really know whether the uniform standard is better than the various standards established in the different markets, according to long experience? Do not the merchants themselves—that is, the buyers and the sellers—know better what they need than Government officials? Is not the basis upon which trade is established the natural outgrowth of a compromise between buyer and seller, and if both in-

terests are not recognized in this compromise will not the merchants very soon find out that they will lose their trade, and are not the merchants primarily interested in satisfying their customers and eager at all times to introduce all improvements to accomplish this end? Will not in the end, the producer rue the day when he has to consult politicians who are generally only seeking place and who naturally do not know anything about the details of business?

We look upon this whole proposition as a most unwise step, which will recoil with disaster upon the meddlesome originators. In looking over these bills it seems the framers do not begin to realize the difficulties of inaugurating such an innovation. We will take up Mr. McCumber's bill, for instance, and follow it down. It states that—

The Secretary of Agriculture and Forestry shall appoint at each of the following centers, Portland, Boston, etc., and at such other important centers of interstate trade and commerce in grain as he may consider necessary and proper, one chief inspector and such assistants as may be required, etc.

Now, what constitutes an important center? Who is to determine what is an important center? For my part, I would not know where to stop. And if it is necessary to have the shipment of grain from any place to another State or a foreign country inspected and graded before it is moved, where are all the competent inspectors to come from? At how many places will they be required?

As to the competency of these men. Who is to be the judge and who is a competent inspector of grain? We, in our chamber of commerce, have found this part of the inspection business to be the most difficult of all—that is, to acquire competent inspectors. Most people never learn the business, and, as a rule, we have found that it is absolutely necessary to take young men as apprentices and gradually work them up to the higher grades of assistant and then to an inspector, and that it takes an enormous amount of experience for a man to become competent. Experience shows that competent judges of grain are difficult to obtain, and when the boards of trade allow men of capacity in this line to leave their service it is only for cause.

But the duties of the Secretary of Agriculture and Forestry are certainly most difficult to perform. Are the merchants to accept all his rules and regulations when they know that he does not understand anything of the business and its requirements and of the difficulties existing at the hundreds of places as pointed out heretofore?

Is the Secretary of Agriculture and Forestry to establish all standards and classifications for all the different markets, when we have found it most difficult, residing here in Baltimore and knowing the requirements of our market as well as those of all of our customers, to perform this act of establishing standards and classifications? And is the dictum of an official in Washington or his delegate to be the rule of all the country? Is this not despotism and an utter destruction of all individual liberty?

And in the busy season, when the grain is pouring into Baltimore from all parts of the country, and the railroads are overburdened with work, and their yards crowded, how in the world is it possible to assign sufficient inspectors to inspect all cars within twenty-four hours after arrival, when we know from experience that with a very large force of inspectors in Baltimore it will take days, and may be a week, before these cars can be reached, when they are strung out for miles on the tracks, during the busy seasons?

Individually I have been engaged with my present firm in the foreign grain trade for many years. We deal with all the countries of Europe—England, France, Germany, Denmark, Italy, Spain, etc.—and we find that the wants of each country differ. We have to accommodate ourselves, as every merchant has, to the wants of our customers, and if we do not we lose our business, and it is but reasonable to suppose that the buyers know better what they need than we or our Government. And now our Government comes along and establishes standards for all the world. Why? We can not see the reason. It does not suit this country to standardize an article which under the laws of nature is not uniform and which is not manufactured to order in a factory, and it does not suit our customers, because our Government certainly can not tell any better than we ourselves what they need. Dishonest practices, of course, will creep in all trades. European buyers and Western producers are not free from dishonest practices on part of their correspondents, and Government inspection will not establish an immaculate condition. But we are optimistic enough to believe that dishonesty among merchants is an exception and not a rule, and with proper care the merchant will generally fare better if he trusts to his own precaution than the paternal care of the United States or any other country.

STATEMENT OF MR. W. S. UPSHUR, MANAGER CHESAPEAKE AND OHIO GRAIN ELEVATOR COMPANY, OF NEWPORT NEWS, VA.

Mr. Chairman and gentlemen, as the representative of the Chesapeake and Ohio Grain Elevator Company, and manager of their export elevators at Newport News, Va., I feel a very lively interest in the matter of the proposed Federal inspection of grain, as provided for in the McCumber bill (or S. 382), and will ask the indulgence of this meeting while I express the views of our company on the subject. In doing so I will not attempt to discuss the McCumber bill in reference to its bearing on interstate grain at interior points, as there are many gentlemen present whose actual experience with the trade conditions and its requirements at such interior grain centers will enable them to advise you authoritatively and in detail as to the baleful effects which would result to them and their markets in event of the McCumber bill becoming law, but will confine myself entirely to stating how it would affect our company as handlers of export grain.

While Newport News, notwithstanding its prominence as a grain-exporting port, is not one of the points specifically mentioned in section 2 of the McCumber bill, it would of course be covered by the general provision "and at such other important centers of interstate trade and commerce in grain."

To demonstrate how this bill, if it becomes a law, will operate to the detriment of Newport News as a grain-exporting port, we will cite the facts governing the handling of grain at our port during the rush season commencing October, 1905, and ending March, 1906, inclusive (six months), during which period we received, wheat, corn, oats, rye, and barley, 13,919,005 bushels, and shipped out, wheat, corn, oats, rye and barley, 13,548,418 bushels; total handled in and out for six months, 27,467,423 bushels.

This grain was received in 9,359 cars and the working days consumed were 155, averaging 60 cars elevated per day; but, in point of fact, there were many days in which no cars were elevated, owing to unfavorable weather conditions or other cogent reasons, and therefore there were days in which the number of cars elevated ran from 150 to 170.

Also, owing to the prevailing bad weather in the winter of 1905-6, ships were much delayed in reaching our port (several of them so much so that they did not arrive within their cancellation dates, something most unusual); in consequence, instead of arriving as expected, a few vessels at a time, so as to meet the grain on latter's arrival at our port, they came in fleets and so much delayed that our elevators and yards were badly congested with grain, necessitating our working unloading cars and loading vessels every day, including Sundays, and every night, including Sunday nights, for months, it being frequently necessary to elevate at night also.

Now this state of affairs is not altogether unusual with export grain elevators and the question naturally arises, how would national inspection of grain as provided for in Senate bill 382 have affected this port under conditions mentioned—adversely or not?

To give an unbiased and correct answer to that inquiry, it is first necessary to know exactly how the grain is inspected and stored on receipt at our terminal export elevators, and shipped out of store under present conditions.

INSPECTION.

On arrival, the cars are entered by the authorized inspector, who uses a grain trier in several portions of the load, securing average sample, which latter is inspected in accordance with the rules governing the inspection under which he is working; the proper grade being thus determined, it is certified by card to the weighmaster, who is on the car being unloaded, and the grain elevated, weighs latter and runs it to bin containing grain of like kind and grade.

The inspector in chief issues inspection certificates covering the grain, and if it fails to inspect "contract" the reason for such failure is noted on the inspection certificate. It may be the failure to grade "contract" arose from the fact that it contained too much dirt or broken grain (which could be eliminated by blowing and screening) or from containing too much moisture (which could be obviated by being dried) or was under the requisite weight per measured bushel (which objection could frequently be overcome by blowing) or was heated or damaged, in which event it would be dried and stored by itself to be sold locally, or shipped foreign as kiln-dried distilling or "Mahogany" if corn, or if some other kind of grain disposed of in such other manner as the owners might direct.

STORING GRAIN.

After the grain is properly inspected it is, as said before, stored with other grain in store of same kind and grade, and when required, as far as practicable and elevator space will allow each grade of each kind of grain for each shipper or owner is stored separate and distinct from grain of other shippers or owners.

MIXING GRAIN IN SHIPMENTS OUT OF STORE.

When grain is ordered out of store to ships the shipper or owner advises us how much and what grade of grain he desires loaded out to a certain named ship; on receiving such advice we consult the stock record and select the several quantities of the various grades to credit of this particular shipper or owner, run together such of them as would so mixed give the desired outward grade; in making such mixtures there would probably be some of component parts that would have to be dried, others blown and screened, etc., but the resultant mixture would conform in all respects to requirements of the desired outward grade.

HANDLING IN STORE TO PRESERVE INTAKE CONDITION.

In this connection it is very frequently the case that grain taken in store on certain grades, and remaining a greater or lesser time in store, must be handled by way of preserving its intake condition, to harden it up, prevent heating, to eradicate weevil, etc.

Now, in view of the foregoing statement of the probable extent of the business and the manner in which it is inspected and handled, it is pertinent to know how national inspection as proposed by Senate bill 382 would affect our business.

Sections 4, 5, and 6.—Under these sections it is difficult to conceive of the honorable Secretary of Agriculture failing to take into consideration the fact that the present well-known grades and provisions of such grades must be in a great measure preserved, although in the interest of uniformity some changes looking to uniform phraseology might be advantageously made.

Section 7.—The time allowed (thirty days) appears to be ample for all persons interested in the grain trade to take due cognizance of the classifications and grades determined upon by the Government.

Section 8.—The question naturally arises, Will the Government inspector be on hand to inspect grain in and out at all hours of every day and night when the exigencies of the business demand such extraordinary service?

Also, as I have shown, that frequently we elevated daily from 150 to 170 cars. Would it be possible under Federal inspection to elevate anywhere near this number?

It is pretty generally understood that the Federal inspection qualifications for grade on, say, No. 2 mixed corn, would stipulate per cent white and yellow, maximum per cent moisture, maximum per cent damaged kernels, maximum per cent broken grains, maximum per cent dirt (disintegrated particles of grain, chaff, etc.), these two latter provisions would change every time grain was handled in store and when being shipped or loaded to ship. In other words, if corn received perfect in every other respect, but containing the maximum percentage of dirt, even if not handled in store would fail of grade on outward inspection owing to fact that certain per cent of dirt (or disintegrated particles of grain) would further accrue by reason of the handling it would receive in being elevated, binned, and loaded out to vessel or car. Also as it is more than likely that but few cars out of a whole day's elevation would conform strictly to all

the various provisions of the grade, but on the contrary would vary more or less with each individual car.

The volume of elevation would not only be restricted, owing to the time consumed by the Federal inspectors in ascertaining the grade of the grain in each car (and the weighmaster can of course not bin any grain until its grade has been ascertained), but also the multiplicity of varying conditions of the cars of grain and the prohibition against binning together grain of various grades would result in partly filling an elevator of, say, 1,750,000 bushels capacity (storage) containing 365 bins (such as our Elevator A) with 300,000 to 400,000 bushels, and no more grain could be loaded into those bins unless it conformed in all particulars to the grade already binned, and as this trouble would be many times augmented in handling the various kinds of grain, it will be seen at once the Federal inspection under the McCumber bill would practically put an end to the handling of grain in any considerable volume by export elevators.

Section 13.—Under this section grain inspected at Chicago as, say, No. 2 mixed corn, if kept unmixed with other grain, would not have to be reinspected at Newport News, although it might from various causes—such as leak in car causing grain to be damaged by rain or delay in transit accasioning it to heat at certain periods of the year, viz, germinating season, except in the discretion of the Secretary of Agriculture; also under a reasonably strict interpretation of the McCumber bill the export elevators are debarred from handling grain in store with a view of preserving its condition or bettering its intake condition. This is so palpable an injustice to the owners of the grain that it must be apparent to even the framer of this bill.

In conclusion will say that for reasons given above, and firmly believing that the enforcement of the provisions of the McCumber bill will militate most seriously against our business, both as to volume and the efficient working of our elevators, we wish to go on record as being unalterably opposed to the bill in its every particular as applied to export elevators, and we protest against its passage.

ADDITIONAL STATEMENT OF MR. J. COLLIN VINCENT, REPRESENTING THE CHAMBER OF COMMERCE, BALTIMORE, MD.

As a member of the committee appointed by the Chamber of Commerce of Baltimore, Md., I have been delegated to protest against the provisions of the McCumber bill, as being prejudicial to the export trade of our city and interfering with the individual rights of the citizens of Maryland in carrying on private business, which as merchants they have been foremost in developing since colonial times, not only for the benefit of the State, but these United States.

We admit that this agitation for Federal inspection has been before your honorable body for some years, and the records show that the Senator from North Dakota, who, as the father of this bill, is sincere in his belief that such legislation would be of benefit to Minnesota, North Dakota, Montana, and South Dakota, by correcting abuses that have existed in the past; but we do claim that there is no reason why he should try to revolutionize the trade of the whole country, because, if the abuses cited have existed or do exist in his section, surely the farmers, who must be in the majority as voters,

should be free agents and able to force justice in their own States. They certainly decide when they shall sell their crops and to what market they will ship, whether in one State or another.

I see from the statement prepared by Senator McCumber that the millers are largely in favor of Federal inspection. The millers are keen buyers, and the farmers are the sellers, yet one of the main arguments in favor of the change is to benefit the agriculturist. I consider that if this law is passed the farmers will be the sufferers, inasmuch as the tax will be paid by them, and it will be harder for them to market their off grades; and, although it may not be the case in the Northwest, yet it applies to other States that millers do buy wheat on sample and get it shipped direct from country stations. Will the millers of the United States agree to turn out a uniform grade of flour?

Reference has been made to complaints received from Consul-General Skinner; and letters cited two shipments of wheat made in 1899 from New Orleans and Galveston; and again a complaint made to the Agriculture Department, January, 1906, from Glasgow regarding a shipment of corn from Norfolk.

The question was asked of Mr. Hansbrough in 1906:

Does he think it is the duty of the Government of the United States to enter into all business transactions of a private citizen, and through an inspection, to prevent fraud in selling of apples, in the selling of wheat, and every other article that is put on the market by the private citizen?

That gentleman replied (see p. 7588, Congressional Record, 1906):

Mr. President, that question has been asked a great many times in this body since I have been a member of it. It has been answered but in one way, and that is when the emergency arises the work should be done by the steady hand of the Federal Government.

He then gave the average exports of the seven principal cereals for the five years ending June 30, 1904, as 252,300,000 bushels, and said:

I do not doubt that every bushel of this American produced grain was discredited through the system of inspection prevailing in this country.

If the gentlemen favoring Government inspection have to rely on sporadic instances of shipments going wrong, covering five or ten years, the same cases having been cited over and over again by Government officials on this side and consuls on the other side to make their case good, I fail to see that the "emergency has arisen," making it necessary for the Government to go into the grain business.

As before stated, Baltimore has been a pioneer in building up the grain export business of this country; in olden times the samples were displayed for sale on barrels, the grain was measured by the bushel, the vessels were loaded by men carrying it aboard in sacks and emptying them, and it was sold abroad on the reputation of the individual exporter. The first car of grain was officially inspected in 1872; and for about four years the inspector received the fees as salary. This was changed, so that the chief and his assistants were paid a salary by the Corn and Flour Exchange (organized in 1852), now the chamber of commerce; and I submit herewith a paper which was sent throughout Europe, June 16, 1906, when so many complaints were received regarding damaged corn from the United States. From same you will find the rules governing our inspection. During the past thirty-five years Baltimore has had its own system of in-

spection; and an average of 33,000,000 bushels has been graded annually. From statements that have appeared in print it shows that the gentleman from North Dakota does not pretend to know what are the conditions in other States, but surely he does not suppose it is possible for identity of grain to remain the same from the time it leaves the farmer until it gets on board a vessel, after being transferred through several markets.

In an issue of November 15, 1907, of the American Elevator and Grain Trade Journal is an extract from a paper by Senator McCumber, copied from the St. Paul Pioneer Press, wherein he gives three reasons in favor of his bill—

First, to secure an absolutely impartial inspection, weighing, and grading.

Second. To secure uniformity of grades throughout the country.

Third. To secure confidence in our grades abroad—

and to amplify the latter, he states:

There is scarcely a consular report from Europe which does not call attention to the bitter complaints made by foreign buyers against our grades. Investigation shows that in most instances the product received does not measure up to the commercial grade in this country because of mixing a lower grade with a higher grade, exporting the product as a higher grade. The shipper, of course, makes the difference.

Now, gentlemen, I take issue on this statement, "Scarcely a consular report from Europe which does not call attention," etc. If that is the case, it is simply repeating gossip regarding the meetings at London, Berlin, and Duisburg, all held about the same time, with a view of forcing American shippers to sell on rye terms, and stating what they have heard or what they have been told.

We have had experience in Baltimore on this line within a year, when a Government official reported from Europe that he had been told by a sailor, also steamship official, that a shipment of grain was out of condition when it went aboard from Baltimore. We not only denied the assertion, but requested the Government to be present at an investigation when the steamer returned, which they failed to do; but we sent sworn affidavits of steamship men and others, on evidence secured by a board of inquiry held on same steamer, showing same was untrue.

As exporters we can not conceive than many people believe that Federal inspection will increase the price of grain or increase the exports, for surely a market that has graded and shipped upward of 1,000,000,000 bushels of grain in thirty-five years must have earned and merited the confidence of the foreign buyer as well as the inland shipper.

Great stress has been laid on the inspection fees that have been paid by grain to the chambers of commerce and boards of trade. You gentlemen probably do not know that the exporters pay a fee when they ship outward. The farmer, dealer, and politician who deals in actual grain or "futures" has to thank the organizations which are being attacked for supplying market quotations and information regarding values and movement of grain in different parts of the world, all of which has influence in giving the farmer a fair return for his labor.

The cipher codes, the calculation tables, and enlargement of facilities, all of which have helped the agriculturist, are mainly the product of the brains of the exporters, who have had years of apprenticeship

and actual experience. They and other expert members of the commercial bodies give their time and labor to serve on committees to uphold the work and dignity of their respective organizations, and all without pay; and do you suppose that an appointee of the Government, under civil-service rules or otherwise, who may have had three years' experience, will be better able to weigh justice than those men who have built up the business and whose reputation is at stake?

Again, the statement is made that "Investigation shows that in most instances, etc., etc., because of the mixing of a lower grade with a higher grade, exporting the product as a higher grade," the shipper, of course, makes the difference.

What investigation is referred to? The two or three instances cited that occurred years ago? If not, what? The insinuation seems to be that all grain exported is on this basis; and when it is said, "The shipper, of course, makes the difference," those who know nothing about the export business consider that American trade is working on this basis and that the foreigner is being swindled, which is a base calumny.

I see that in the letter from Guillaumse Artand, Marseille, dated December 9, 1889, it has been quoted that gentleman says, referring to the shipment complained of:

Should I be called upon to classify this wheat, I would not hesitate to say that is inferior, by from 10 to 15 per cent, as compared with standard hard winter No. 2 Kansas, such as should be delivered after examination by an official inspector.

I know not whether on that individual shipment there might not have been cause for complaint, but I wonder what knowledge the gentleman named had regarding the standard hard winter No. 2?

Regarding the impression in Marseille in certain quarters that an official certificate of inspection was a United States Government certificate, it is inconceivable to me that any merchant of repute could be so misled or ignorant, as twenty-five years ago the Frenchmen bought No. 2 red winter wheat from Baltimore on "official" or corn and flour exchange certificates, and gave, at that time, a preference for southern wheat, notwithstanding the "garlic" trade-mark on that quality of wheat.

If the Mediterranean ports did not understand the American business, surely they could have gotten posted from the United States consul, or at any rate from their own countrymen in Bordeaux, Paris, Havre, or Dunkirk.

Reference has been made to the lack of uniformity in description of grades, and the Macaroni or Durum wheat has been cited as an instance.

Who is to be blamed for this?

Keep the facts in mind.

All credit and congratulation is due the United States Agricultural Department for the introduction and development of this cereal within comparatively few years. Let them continue their work on that line. They helped the farmers to raise it, but it was the exporters who found the markets in Europe, and naturally used the name Macaroni, as that attracted attention to the wheat, especially in Mediterranean ports. It was the Agricultural Department that agitated the name "Durum" as best applicable to that variety of

wheat, and most markets adopted it, but the exporters have had to educate the Europeans. I myself have sent samples of Durum wheat abroad and after they had been received had letters saying they wanted samples of Macaroni, not Durum.

The European millers purchase their wheats for mixing purposes; therefore all markets differ more or less as to their requirements, so that some importers prefer hard wheat, others soft wheat, some spring wheat, others winter wheat; and, based on their knowledge as to the character of wheat at different ports, many give the preference to New York, Philadelphia, Newport News, Boston, New Orleans, Galveston, or Baltimore, or to exporters with whom they have long traded.

There is always an advantage in having the greatest variety of grades, for what will suit one buyer does not suit his neighbor, and business is thereby developed. Take rye, for instance; some European markets prefer a grain light in color, others dark. They may both be No. 2, yet they are not uniform; and if a visible standard was fixed it could not be lived up to.

You might just as well legislate that the physicians of the United States should prescribe alike for every patient, without taking into account the individual constitution.

In Senate Document No. 116, December 18, 1907, I see that Senator McCumber refers to the early grain trade of the United States, and says that—

The price was determined by the demand and the peculiar fitness of the grain for a given purpose.

That statement is entirely correct, and I claim that it applies as much to-day as it did fifty years ago, and the merchants and not the politicians or Government officials are the parties who can better recognize what the European buyers require.

On page 42 of the same paper, it states:

First. Under national inspection all inspectors will be free from political influence.

The inference is that under present system of the commercial exchanges all the inspectors are subject to political influence, which we deny.

It also says:

They will owe no allegiance to buyer or shipper.

We claim that our inspectors, who are under bond, on the same line as suggested in the proposed bills, owe no allegiance to either of the parties named, notwithstanding the statement that

inspection is used by the trade as a club with which to bring the inspector to their particular view of the matter, and any falling off in the receipts of the market that draws its supplies from competitive territory is laid at the door of the inspection department. (See paper by John D. Shanahan, U. S. Department of Agriculture—before Uniform Grade Congress—December, 1906.)

Again—

They will have as a guide all the experimentation and accumulated knowledge of the Department, etc.

If the Department continues to expand on the lines they are now working, the present inspectors should have this advantage, although we know, from personal experience, that the knowledge gained by the

standardization work on the scientific methods, so far, is not yet sufficiently reliable to be acted upon.

It has been stated under authority of the Agricultural Department that the question of grain grades has been under investigation by the Bureau of Plant Industry for some years.

Mr. Shanahan, in the speech referred to before, said :

We feel, owing to the importance of the question, that we have not sufficient knowledge for a basis that would be unassailable.

That was December, 1906, and we claim, from our knowledge, it is just as applicable December, 1907. Yet, in paragraph 2, page 43 (Document No. 116), it says:

"Proper provision will be made for reinspection in case of complaint." Under our methods either buyer or seller can appeal, not only from an inspector's judgment, but also from the chief, to a committee of five experts, who decide on special samples drawn. The party aggrieved can be represented when samples are taken for appeal, and a decision is promptly rendered.

According to section 11 of the bill under discussion the final court of appeal would be the Secretary of Agriculture, and this would cause vexatious delay, and with all due respect we question his ability to render a more unbiased decision.

Paragraphs 4 and 5. We dispute the assertion that "It is now the case" that the inspectors favor the purchaser as against the producer, as far as our market is concerned. The present system does not enable one man or any set of men to control the inspectors for selfish interests; and the statements that have been published broadcast as to the opinions of a Government representative on this subject is no incentive for any self-respecting man to act as grain inspector under Federal control. See address, J. D. Shanahan, Tri-State Dealers' Association, Sioux Falls, S. Dak.

The balance of paragraphs on pages 43 and 44, Document No. 116, are so contradictory that they should have no influence on those who understand the grain business, whether producer, dealer, or exporter.

Aspersions have been cast on inspectors, elevator people, and exporters, as well as the grades under the commercial organizations, yet it is stated that the change to be brought about can be made over night.

To-day under commercial organizations, inspectors under control of interested parties, therefore irresponsible. Grades of grain not uniform, and therefore unjust. Presto. To-morrow, under Federal control.

Same inspectors, "new men only in being free from political influence or personal fealty," but perfectly satisfactory.

"There would be no difficulty in fixing grades." "The Department would naturally accept all commercial grades."

Where is the consistency?

In the National Hay and Grain Reporter, page 14, January 7, 1908, I read:

It is unnecessary for the advocates of this legislation to say that present inspection is dishonest or to make any charges whatever. It is only necessary to say that the inspection of products of the farm should be under supervision that is disinterested.

This is an expression by A. Wasmuth Sons Company, Roanoke, Ind.

I claim that under the McCumber bill the inspection by the servants of the Agricultural Department would not be disinterested, as the whole machinery is left to the judgment of one man, who is the representative of the agriculturist.

There are 16 places specified in the bill where inspectors shall be placed; it is optional with the Secretary of Agriculture as to others; so it is possible for one section to be discriminated against in favor of another.

I think it was Burke who said—

If I can not reform with equity, I will not reform at all. There is a state to preserve as a state to reform.

There may be some abuses that must be corrected; but there is enough probity and integrity amongst merchants to seek out same and correct them without Government interference.

President Roosevelt, in his Jamestown address, stated:

We are steadily bent on preserving the institution of private property, to combat every tendency toward reducing the people to economic servitude.

The indorsement of Federal inspection does not bear this out, and I think that if the President had conferred with merchants active in the business before indorsing the proposed action he would have better understood the situation.

There is no question that the agitation leading to the meeting in London was brought about by the German organizations, on account of the losses made by importers on large amounts of American corn which arrived out of condition during the spring of 1906. The purchases had been made on account of the increasing duty to go into effect March 1, viz, from 13 to 30 reichsmark (7.84 to 18.09 cents per bushel). Corn had been bought from the Gulf and Atlantic ports so as to arrive in Hamburg before the duty went into effect. The large arrivals were too much to be cared for promptly. Warehouses were filled, barges loaded, the markets there did not advance as expected, the country consumers had purchased, and speculators, as well as the latter, had to sell out. Vessels could not be discharged promptly; some corn went out of condition, which made it hard to handle in view of the congestion, and losses were made, not only through damage, but from decline in market, for all of which the American exporter was blamed.

For your information would state that some of the Gulf business which was sold on American "Rye terms" also went out of condition, and as this means that the American shippers guaranteed the condition (slight dry warmth not injuring the grain excepted) and had to pay the difference, this of itself was a warranty of fair dealing, for they would never have shipped corn that they supposed would go out of condition.

You have seen how Baltimore acted in opposing the attacks on American trade; and in July, 1906, when we found that the Bureau of Plant Industry was about to establish a laboratory on the Atlantic coast we addressed ourselves to Washington to induce same to be placed in Baltimore, and result was a visit from Doctor Galloway, Messrs. Woods, Duval, and other officials to meet the trade here, when the operations were fully discussed, and it was distinctly understood that there was no intention of Government inspection. Later these gentlemen were taken to our terminals and shown how the business

was conducted, and, in fact, we gave them to understand it was an "open door." When it was decided to locate here, a committee of three of our members was appointed as a laboratory committee, of which the writer was chairman, to work out tangible details to accomplish for the commercial bodies any good that might result.

It was necessary for our board of directors to legislate, especially so that our committee could assist in the Government work, as it was proven that according to the law under which the Bureau of Plant Industry was working they could never have secured the data wanted in a way that would be of any service. We have worked faithfully, in conjunction with this Department, and many of the investigations as to corn have been brought about by our suggestions, based on practical knowledge as against theory.

We have claimed from the start that this class of work, if extended to all sections of the West, would eventually do away with the necessity of the seaboard laboratories, and we assisted in getting the increased appropriations passed by last Congress. Up to February 5, 3,050 samples had been tested at Baltimore.

I contend now that if one-half of the money required to carry out the provisions of the McCumber, or any other bill on the same lines, should be spent in following out and extending the present laboratory work throughout the country, it would do untold good, especially if the Agricultural Department expend more effort in educating the farmer to improve the keeping quality of his grain, as well as increase the yield.

During the month of December, 1907, 1,629 cars of corn were received at Baltimore, of which 46½ per cent were offgrades; in January 3,235 cars, with 42½ per cent offgrades.

Most of this damp corn was put through the driers and made merchantable, not by Government efforts, but by the chamber of commerce, through foresight, having secured the erection of said driers for the benefit of the trade at large several years ago.

This shows that the farmer is to blame for shipping his grain to market before it is properly cured, and the inspectors and grade committees are blamed by the countrymen because they lose money.

Part of the object of the investigation authorized by Congress and begun July 1, 1901, was "the determination of the causes of the deterioration of grain in transit and storage" and "the devising of methods for preventing such deteriorations."

As far as I see little progress has been made in this direction, and I take it it applied as much to the movement in this country as that en route to foreign countries, as there is plenty of work for the Agricultural Department without going into the grain business, for the Federal inspection certificate will be no more acceptable to Europe than an official certificate of any commercial organization, unless the Government is prepared to guarantee the grain on arrival and pay damages if it arrives out of condition. Will they do this?

Since the large shipments of corn to Germany in 1905 and the spring of 1906, the decrease in demand has been placed on the condition of American corn, especially in governmental circles, but they seem oblivious to the fact that in previous years the introduction of this cereal was mainly through its cheapness in competition with other feeding stuffs; and on March 1, 1906, when the duty was increased from 13 marks per 1,000 kilos to 30 marks, barley, which was

shipped largely from Russia and North Africa, was reduced from 30 to 13 marks, making a difference of 34 marks per 1,000 kilos—equal to 20.49 cents per bushel—in duty in favor of barley as against corn, which still exists; besides this there has been more competition from Argentina and South Africa.

To the United Kingdom, Manitoba wheat has been shipped from Canada and entered into competition for feeding purposes. Do the consuls comment on these facts, or do they only report what will further the cause of Federal inspection?

Now, gentlemen, I think you will agree with me that in view of the facts "no emergency" has yet arisen that makes it necessary for this work of grain inspection to be done "by the steady hand of the Federal Government."

Mr. McCumber said at a meeting of the Agricultural and Forestry Committee, February 6, 1908:

If No. 1 is the honest grade, if we have Government inspectors who will enforce that honest grade and give No. 1, then the purchaser at the initial point will feel safe in giving the farmer the No. 1 grade. All is fixed by the grade given at the terminal market, and if that grade is a fair grade it reacts back and the original purchaser gives the grade that is given at the terminal.

I presume that Mr. McCumber means by this that if the grade is No. 1 at the terminal, the farmer will get the price of No. 1, because the purchaser at the initial point will pay the price of No. 1 for it.

I suppose it is the same in Dakota as in other States, Maryland included. Every farmer thinks his wheat or corn is as good as, if not better, than his neighbor's, and sells it on the basis of the high grade, with a contract that if it is off-grade the buyer has to take it at the market difference, and he thus secures a warranty of price on the market basis of the day he sells.

Those in business at the terminal markets know, to their sorrow, that western grain is often shipped on contract from initial point that has no chance of grading, yet the buyer has to take it at a difference, and the hardship is on him, especially if he is an exporter or has sold it to an exporter who has made his contract with Europe for the higher grade; and if his vessel is ready he has to go into the open market to buy the actual quantity that is needed to protect himself, as he can not fill his freight room with paper contracts. This often-times entails loss.

The fact that more or less of a certain quality arrives and is graded by inspectors at terminal markets than is graded out, is no argument that the farmer is not treated right.

Wheat that is damp or dirty can be handled at an expense and put in good condition and regraded if the then quality is equal to the higher grade; but it does not follow that the difference in price is all profit. The man who takes the risk of this is generally content with one-half cent per bushel profit, after paying for loss in weight and the expense of handling, and sometimes keen competition to make a profit leaves a loss.

During the months of December, 1907, and January and February, 1908, Baltimore put through the driers 3,037,994.36 bushels of damp corn, all of which off-graded on arrival and would not have found a market for export. This corn was inspected one thing on arrival and most of it was afterwards inspected a higher grade and sold abroad, so that the amount of different grades as received into the

elevators varied greatly from those shipped out, yet no one would have the audacity to say that those who did the business pocketed the difference, and we claim that the farmers and dealers in the West secured prices for that corn not otherwise possible, and a market for some that otherwise would have rotted.

With such facts before you, can you imagine the possibility of uniform grades? If the combined brains of the individuals who handle grain and many who spend their life in the business can not see their way to accomplish it, is it consistent that a few theorists should damage the whole grain trade of the United States?

Senator Bankard asked Senator McCumber—

Then you assume that the Government inspector who fixes the grade at the terminal point is going to give a higher grade than the commercial inspector.

To which the Senator from North Dakota replied:

I certainly do, for it is proven absolutely that the grade given under the present commercial system is lower than the same grade receives when it is shipped out.

I think that the above facts show the benefit the farmer derives from the commercial system, and the arguments favoring the bills before Congress are built up on a wrong hypothesis.

Taking Mr. McCumber's statement regarding the purpose of his bill, as expressed before the Senate Committee, he admits that grain "will deteriorate in transit."

Now, take corn, for instance: If the Federal inspector had graded same No. 2 at Peoria, Omaha, Indianapolis, or Chicago, say, on a basis of 16 per cent moisture and when it reaches Baltimore it has 18 or 19 per cent, or is warm, or rotten, and Baltimore is one of the places named in the bill where grain must be inspected, would the inspector grade that corn No. 2? Yet the corn had been inspected No. 2 at the other point, and what redress would there be?

Would export buyers pay more to the west for the corn with the Government certificate at the initial point? I think not; they would insist on the seaboard inspection, and the farmer or country dealer would still be dissatisfied, especially if for his own guidance he had insisted on getting a Government inspection at the initial point and then found it arrived steamer grade, No. 3 or rejected.

He would have no more protection than he gets now.

Mr. McCumber contends that if the Government inspects it at the terminal point, the purchaser will get a more favorable and perfectly disinterested inspection, and that will give the farmer a more favorable grade.

He claims what this bill is intended to do is to insure that the elevator take in a certain amount of a specified grade of grain and turn out a like quantity.

He says that the grain will be sold on the grade, not upon its merits.

I claim that the grain is always sold on its merits, even when it is sold as a grade, for no wheat or corn in bulk can run uniform, and it is the actual knowledge the buyer possesses of the average of the grade each season that fixes the price, and makes competition in the different markets to the benefit of the farmer.

Now, if the bill is to cover "What is graded into the elevator must come out the same," how does the Government intend to guarantee

this? Grain does go out of condition in the elevators, as well as in transit.

Our chamber of commerce, with a view of protection to all concerned in the grain business (and that covers the Western dealer, who often wants his grain held, looking for a better market), has for many years had an agreement by which our official inspectors and regular grain committees shall at all times, during the ordinary hours for business, be at full liberty to examine any and all grain stored in the elevators and give their judgment as to whether the grain required handling to keep it in condition.

This is a protection that would be withdrawn from the farmer, dealer, and exporter, if any of the proposed laws went into effect.

We have heard reports from Government sources as to European complaints, so I will quote some public utterances.

Mr. Patterson, at the meeting in London, November 8, 1906, said he wanted it understood very explicitly that he had no desire to make wide or sweeping charges against the American grain trade as a whole. He further stated: "Few countries would have done so large a business for so many years with such average fairness."

Colonel Montgomery said:

Considering the vast amount of business done on certificate, the cases of real grievance are not numerous.

Again—

The object we wish to attain is to get our supplies of grain at as low a price as possible, with reasonable guarantee of quality and condition.

And—

It is therefore worth while to consider whether the present system could not be so improved as to secure these guaranties with the least possible disturbance to the present method of business.

Mr. John Proctor said (in part):

Do we want to establish a system twenty times as cumbrous as the Russian, or a system that would be actually certain to break down?

I consider the inspection system, under proper safeguards, would be quite workable, and we have only ourselves to blame if we do not know what that system is.

Again:

Let us do our best to improve the system and strive to make our proposal unanimous.

The meetings in Europe were held with a view of doing away with certificate final and was an effort to force American exporters to guarantee condition of corn on arrival; also guarantee wheat on sample; and the expressions, quoted from some of the oldest importers in England, do not warrant the aspersions that have been cast upon the exporters or inspection under commercial bodies by those favoring governmental inspection.

Governmental action, as proposed, would be unsatisfactory and harmful. When a business is conducted or a business carried on by private parties, both their individual reputation and capital are involved, and with a higher morality and wider appreciation and enlightenment of points at issue it can be depended upon that all parties interested, by individual responsibility and justice, which has been the foundation of all industrial and commercial prosperity, can continue to uphold the reputation of their respective markets and

the organizations of which they are members and which have been built up "to inculcate just and equitable principles of trade." Had they not carried out this idea, they would not now be in existence.

To quote President Roosevelt again:

It is our business to put a stop to abuses, to prevent their recurrence, without showing a spirit of vindictiveness for what has been done in the past.

The Baltimore Chamber of Commerce, as well as other commercial exchanges, possesses the power of government "from within," and we have no need of government "from without."

STATEMENT OF L. D. MARSHALL AND C. A. MAGNUSON.

WASHINGTON, D. C., *March 17, 1908.*

To Hon. W. P. HEPBURN,

*Chairman Committee on Interstate and Foreign Commerce,
House of Representatives, Washington, D. C.*

DEAR SIR: First thanking you for permission to file a statement to go into the record in the hearing before your committee on H. R. 6293, 6294, and 14770, we hereby submit the following statement for the purpose of correcting erroneous or misleading statements now in the record in order that they may be less misleading:

The number of elevator companies doing business in North Dakota comprised in this report or statement are 16 owning and operating in the State of North Dakota 736 local or country elevators, and the statement covers a period from August 1, 1904, to August 1, 1907, and reference is made to wheat only. The following is the wheat taken in North Dakota into these 736 elevators for the period named:

Grades given in North Dakota.			Grades received according to Minnesota inspection at terminals.		
1 hd.	1°.	2°.	1 hd.	1°.	2°.
10,227,268 15.34%	36,771,771 55.18%	19,647,488 29.48%	9,182,414 13.70%	33,965,268 50.98%	19,203,210 80%
			3, 4 Rej. or N. G. 5.25%		3,595,626

This shows a loss in grades on account of giving a higher grade in North Dakota than that received according to Minnesota inspection as follows:

A loss of 10.22 per cent from 1 Hard to 1 North, or equal to 1,044,854 bushels; a loss of 10.48 per cent from 1 North to 2 North, equal to 3,851,357 bushels; a loss of 13.20 per cent from 2 North to the lower grades, that is, 3, 4, Rej. and N. G., equal to 3,595,526 bushels, loss figured on a conservative basis equal to \$352,169.23.

The relations of the elevator companies in North Dakota are strictly competitive in every sense, every one being very keen to obtain all the business possible, hence resulting in better grades being given than received. The average amount received per elevator in the State of North Dakota is from 50,000 to 60,000 bushels per year. The gross margin of profit per bushel will be about 3 cents and a fraction on an average. The claim of excessive margins will be refuted on investigation.

This statement is submitted because, in your record as already printed in this investigation, there appear other statements which would seem to reflect upon the elevators or elevator companies in general in the State of North Dakota. This statement shows conclusively that these 16 elevator companies doing business in the State of North Dakota at 736 local elevators, instead of having gained by undergrading have lost by overgrading an amount, as stated heretofore, which amount would average for each elevator a sum equal to about four hundred and thirty-odd dollars per elevator.

In addition, there is the dirt, seeds, or foreign substances which the elevator companies have to pay freight on and for which they receive no compensation.

In relation to other statements reflecting upon the railroad and warehouse commission of North Dakota, from experience they have no foundation in fact. The producers of North Dakota are as well equipped with loading platforms at local stations as Minnesota, and shipments are made from stations in North Dakota as freely as from Minnesota when the prices, grade, or dockage are not satisfactory. The degree of intelligence among the producers of North Dakota is fully as marked as in Minnesota or any other State. The railroad and warehouse commission of North Dakota, together with its attorney-general, are at all times zealous for the interests of the producer, and require reports to be filed by the elevator companies as does the railroad and warehouse commission of Minnesota. In fact, the business as conducted by the elevator companies in North Dakota is exactly the same as in Minnesota.

The Minnesota law provides that a producer can ship grain through an elevator at 2 cents per bushel. The same law applies in North Dakota. The rules and the laws of Minnesota are in nowise more strict than in North Dakota.

We believe most of the trouble and criticism in relation to the methods, margins, grades, and dockages in North Dakota comes from these so-called Farmers' Association Elevators, organized supposedly in their interests, but practically in the interests of the North Dakota bankers in connection with commission merchants, who eventually become owners of the elevators which the producers have helped to build. In organizing these so-called Farmers' Association Elevators the producers of grain are solicited to take a small amount of stock each in such elevators to the extent of from \$25 to \$100 each. When they have become subscribers to that extent, and in consequence are stockholders in an elevator organization of that kind, the by-laws of the association as a rule provide, and the stockholders, of course, agree to abide by them, that if any stockholder in the organization sell any grain to any other and competing elevator, he is obliged to pay a penalty of so much per bushel, the sum being fixed in the by-laws. This provision naturally will give the advantage to the Farmers' Association Elevators, to the extent at least of the penalty clause in their by-laws; to make the grades more strict and sometimes to pay less than other elevators pay per bushel. This also gives the Farmers' Association Elevators more grain per elevator, and in consequence increases their earning capacity, accounting for a statement made in the record, as shown on page 143, where one of these elevators referred to showed net earnings of \$4,300 per year;

also accounting for a gain in grades and dockage, as shown on pages 146 and 147 in the record.

There is nothing to prevent and everything to assist producers in North Dakota as well as in Minnesota shipping their grain if they are not perfectly satisfied with the treatment received at the hands of the elevator companies doing business at that local point, with the exception of the by-laws of the so-called Farmers' Association Elevators.

In conclusion, the reports made in your record were obtained only from Farmers' Association Elevators, who are, as shown by this statement, in a great deal better condition to make earnings than any so-called line elevator company.

Respectfully submitted.

L. D. MARSHALL,
C. A. MAGNUSON,
Committee.

STATEMENT OF CHARLES ENGLAND, PRESIDENT OF THE BALTIMORE CHAMBER OF COMMERCE, BALTIMORE, MD.

In submitting this statement I desire first to present resolutions which were unanimously adopted by the board of directors of the Baltimore Chamber of Commerce when it was announced that Senator McCumber would introduce in the United States Senate a bill to provide for Federal inspection of grain. These resolutions apply equally to all similar measures introduced in the Congress.

RESOLUTIONS OF THE BALTIMORE CHAMBER OF COMMERCE.

Whereas it is proposed that there shall be introduced in the United States Senate a bill "To provide for the inspection and grading of grain entering into interstate commerce, and to secure uniformity in standards and classification of grain, and for other purposes;" and

Whereas it should not be lost sight of that the marketing of the surplus grain production of the country has been accomplished by merchants who have organized and perfected inspection departments under the direction of boards of trade, chambers of commerce, and commercial exchanges, and that the largest proportion of the grain trade, irrespective of location, is opposed to any interference by the National Government, and that any such practice will prove injurious to the best interests of all concerned; and

Whereas this chamber is opposed to the enactment of any such law for the following reasons:

First. The enormous expense attending governmental inspection of grain.

Second. The opportunity which it provides of creating a political machine, the experience with State inspection departments having proved unsatisfactory.

Third. The unnecessary interference in the conduct of a business that has been established by merchants and can not continue to thrive under governmental inspection, which would be without benefit to either the producer, exporter, handler, or consumer: Therefore be it

Resolved, That this chamber hereby declares its belief that the inspection of grain by the National Government at terminal markets would be detrimental to the agricultural interests and the grain trade of the country, and that it is absolutely and unalterably opposed to any attempt to exercise governmental inspection over grain.

As far as records show, the first grain exported by the American colonies was from the port of Baltimore about the year 1750. From that time until the present day, with the exception of short periods during the Revolution and the war of 1812, the movement of grain through that port continued almost uninterruptedly, and it is certain

that this record could not have been maintained except through the honesty, intelligence, and energy of the many generations of grain merchants who by their enterprise contributed so much to the general development of this country. It can not therefore be admitted that the method of handling grain at that port is entitled to unfavorable criticism or that any of those unfair practices obtain there which have been charged to the grain trade generally by the advocates of governmental inspection. Had the grain business of that port been improperly conducted, it must long ago have shrunk away under more decent competition instead of having kept pace with the general development of this country. What may be said of Baltimore in this respect is true of all other seaboard markets, and it is preposterous to assume that a combination could exist between the terminal markets to take advantage of the producers or buyers of grain, and it does not require a very high order of business intellect to appreciate that the active competition existing between markets, as well as among those doing business in the same market, if for no other reason, will always insure fairness.

If it were possible for such an ideal condition to exist that farmers might produce only perfect grain, as to quality and condition, there would be no need of grades or grain inspection; but inasmuch as Providence in His great wisdom sends sunshine and rain upon occasions not always favorable to farmers, or, on the other hand, because farmers, through indifference or unavoidable reasons, do not take advantage of every favorable opportunity for the proper handling of their crops, it follows that in every season more or less grain of inferior quality or poor condition comes upon the market to be cared for by some one. To properly handle and dispose of this class of grain and make it fit for consumption or exportation, it is necessary that it should be cleaned, dried, and perhaps mixed with other grain to improve its merchantable status, and therefore public elevators or warehouses at terminal markets have, at considerable expense, availed of every modern mechanical appliance whereby this beneficial work can be done at a minimum cost and in a manner not possible upon the farm. Such handling of the lower grades of grain not only enhances their value, but increases the value of the entire crop, to the great benefit of the farmer. Without such methods a large percentage of the grain exported in ordinary seasons might be unfit for human food and therefore necessarily be kept upon the farm for cheaper uses.

During the months of December, 1907, and January and February, 1908, there was handled and dried through the public elevators and driers at Baltimore about three and one-quarter million bushels of damp corn. This damp corn upon arrival graded "No. 3," or "rejected" corn, because of its condition; but after being dried was shipped out upon a higher grade, and this will, in fact, explain why the amount of grain of higher grade shipped out of any terminal market can, with entire propriety, be greater than the same grade received into the elevator. The handling of the corn referred to cost the western shipper approximately 1 cent per bushel, which is paid the public drier for handling; also whatever loss in weight on account of evaporation necessary to improve the condition. The commission merchant received 1 cent per bushel for his entire service, which covered the payment of drafts, the examination and superin-

tendence of the corn while being handled; also the sale and its guaranty. Such entirely legitimate and proper commercial handling and disposition of the lower grades of grain is manifestly in the interests of the producer, and it requires intelligent cooperation on the part of the commission merchant and the inspection department, as also every reasonable facility on the part of the public warehouse or elevator, to obtain these satisfactory results. This could not be obtained under Government control, for the reason that under the inflexibility of legislative enactment there could be no cooperation, as above stated, between those who are most interested in the proper handling of the grain, as also most competent to secure the best results. Furthermore, the grades which the Government might establish would be so rigid as to absolutely prevent such handling. It is the opinion of all well-informed grain dealers that governmental rules for inspection of grain must necessarily be inelastic, and that this opinion is well founded is shown in the appropriation bill for the Department of Agriculture for the year 1907, referring to the appropriation for the Bureau of Plant Industry, under which was established the several laboratories for the purpose of testing grain; and I quote briefly from the bill, as follows:

To enable the Secretary of Agriculture to establish, at such points of export as he may deem expedient, laboratories for the purpose of examining and reporting upon the nature, quality, and condition of any sample, parcel, or consignment of seed or grain, \$15,000, or so much thereof as may be necessary; and the Secretary of Agriculture is authorized to report upon such samples, parcels, or consignments from time to time, and the reports so made shall serve as a basis for the fixing of definite grades and for the issuing of certificates of inspection when requested by the consignor or consignee of any grain entering into interstate or foreign commerce.

Governmental standards could not be established in any other manner, and the grading of grain based upon hard and fast rules of this nature would seriously interfere with the business and unquestionably entail heavy losses upon the grain trade generally, but principally would it affect the producer.

The formation and detail working of the inspection departments of terminal markets, generally speaking, are similar; but I will confine myself to an explanation of the rules and customs governing the inspection of grain at the port of Baltimore, with which I am most familiar. The chief and assistant grain inspectors of the Baltimore inspection department are appointed and their salaries fixed by the board of directors. This board is elected from the general membership of that body, and under its legislative charter must represent as fairly as possible the various business interests of the chamber. By this provision the board is not the agent of any particular branch of the grain trade, hence its object is that of promoting the best interests of the trade, which can not be successfully done without a proper regard for the interests of the producer as well as that of the foreign buyer, upon both of whom the trade is dependent for its business. The inspectors thus appointed are independent and free from the influence of the owner or custodian of the grain, and not being subservient to any one they are in a position to impartially grade the grain. The rules also provide that there shall be elected annually by the board of directors grain committees as follows: Wheat committee, corn committee, oat committee, rye committee, barley committee, and buckwheat committee. These committeemen

are selected because of their experience and are regarded as experts in their several lines, hence the chamber of commerce secures the services of intelligent men whose chief desire is the upbuilding of the grain trade. These committees annually establish grades but are not allowed to make changes therein except after due notice, subject to the confirmation of the board of directors. A buyer or seller of grain in the Baltimore market who may be dissatisfied with the grading has the right to appeal, without cost, from the assistant inspector who originally examines the grain in the car or vessel to the chief inspector; from the chief inspector to the particular grain committee, and from the grain committee to the board of directors, and as each is independent of the other the appellant is guaranteed absolute fairness and justice. The service rendered gratuitously by these men of experience could not be obtained under governmental supervision, and it is the greatest safeguard to the present system.

The Baltimore grain inspectors are under oath, and are also required to give bond for the faithful performance of their duties. They receive their appointments from the board of directors, which also fixes their salaries; but they are under the direction of the grain committees in the discharge of their duties. The board of directors having final jurisdiction over both the grain committees and the inspectors, the latter are free to act in accordance with their judgment, and are not liable to have their opinions warped in the application of the rules of grading which are laid down for them, neither are they placed in a position to be contaminated by selfish interests. The chamber of commerce is financially responsible for the acts of the inspectors, and it does not appear in any of the bills offered in Congress that there is the slightest intention to make the Government responsible for the negligence or dishonesty of its employees, or in any sense guarantee that the grading of grain is efficiently and honestly done, or be even free from those influences which are so frequently apparent in political appointments, especially during the excitement incidental to a campaign. It is positively asserted by those engaged in the grain business that three years' experience, as provided in the bills, is not sufficient to fit even the most intelligent man for the responsible duty of a grain inspector. The chief grain inspector of Baltimore has been in continuous service thirty-three years. The first assistant inspector has had over twenty-five years' experience in the same department, and the apprentices, who afterwards become regular inspectors, are expected to have at least five years schooling before promotion to regular inspectors. The most extreme claims of the advocates for governmental inspection do not even suggest a system as good as the one here referred to, and this being the case, it is respectfully submitted that it will be most unwise for the Congress to interfere with an important business in the manner suggested. The bills under consideration are compulsory, consequently inspectors would be required at every point, either terminal or interior, where grain is handled, even in moderate quantities, and as the Secretary of Agriculture is given discretion in regard to the appointment of inspectors, there will very naturally be a general demand for their appointment should the proposed legislation become the law. It is also provided that railroads shall notify the inspection department within twenty-four hours after the arrival of the grain. Should the grain have been inspected at point of shipment

or at some rebilling point en route, the terminal railroad would not have knowledge of the fact, and in order to avoid the risk of violating the law, it would follow that in many instances reinspection must occur, adding expenses which would fall upon the shipper of the grain, who practically represents the producer.

The claim that governmental inspection will benefit the farmer is not borne out by experience or any facts presented. The farmer, generally speaking, sells his grain to his nearest grain dealer, entirely upon the local buyer's idea of its quality and market value, which is, of course, influenced by the competition of the dealer in the same town or the next nearest railroad station to the farmer. It is this buyer of grain at the interior point who assumes the risk of grading, transportation, and market fluctuations, and it has not yet been stated that the proposed legislation was in the interests of the party most affected or has been asked for by him; hence it is evident that one of the important reasons given for this legislation is insincere. One of the strongest pleas of those favoring governmental inspection is that grain which is now called, say, No. 2, will be designated No. 1 under governmental inspection. Even the adoption of this change would not redound to the advantage of the producer or dealer, because if the quality of certain grain which may be now designated as No. 2 has a certain market value, which is fixed by the general condition of supply and demand, its value will not be enhanced by designating the same grain No. 1; and surely in this respect Congress can not legislate value into property, or oblige the domestic or foreign buyer to pay a higher price based upon technical grade terms, when there has been no change in the intrinsic value of the article itself.

Numerous similar measures have been heretofore introduced in Congress, but the grain trade did not actively oppose them, under the belief that the unwisdom of such measures was so apparent that the Congress would not favorably consider them. Recently there has been unusual agitation in regard to many so-called "reform measures," which in some cases have all the features of paternalism; and this makes it necessary for the grain trade to take action and to denounce some of the irresponsible and unwarranted statements which have heretofore been allowed to go uncontradicted, lest the grain trade by its inattention might allow the impression to exist that the claims of those agitating this matter are based upon facts and could not be controverted.

STATEMENT OF GEO. H. D. JOHNSON, PRESIDENT OF THE MILWAUKEE CHAMBER OF COMMERCE.

Mr. Chairman and gentlemen of the committee, in behalf of the Milwaukee Chamber of Commerce I wish to submit some of the objections held by all our members to the proposed Federal inspection of grain.

The objections are to the principle of Government inspection and to specific provisions incorporated in the bill providing for such inspection. From our experience in Milwaukee, we believe that inspection can be performed under supervision of local chambers of commerce and boards of trade better than by either National or State

government, and that local inspection will be fairer to all the interests involved.

The inspection in Milwaukee comes in competition with the State inspection of Minnesota on one side and that of Illinois on the other, and we have found decided advantages in being able to control our own inspection.

The office of chief inspector at Milwaukee has been held by two men nearly all the time since the country tributary to Milwaukee began to raise grain, and they acquired a proficiency which would not often be obtained by a Government appointee. Their term of office has been for one year only, so they have been subject to displacement if found incompetent, but they have been reelected from year to year on account of proved ability in judging the quality of grain and in selecting and controlling their deputies.

Their work has been constantly subjected to the supervision of a committee elected annually by the chamber of commerce and made up of experts in judging the quality of grain, this committee being composed of those representing both buyers and sellers.

Federal inspection appears to be based on the supposition that the grade of grain can be scientifically determined, but everyone having practical experience in handling it knows that it is largely a matter of judgment, and that Federal inspectors in different parts of the country are certain to differ as to the grade of what are known as line samples or samples representing grain which is very near the description set forth in a given rule. In the case of flax the percentage of foreign matter can be exactly determined, but in barley and other grain there are elements which can not be exactly defined or scientifically determined. The result of this is that in the most carefully drawn rules there constantly appear such expressions as "reasonably dry," "reasonably clean," "reasonably sound," or "reasonably free from foreign seeds."

While it is important to ascertain the grade of all grain, the grade alone does not determine the value, and it is not possible to establish a sufficient number of grades to cover all qualities of a given kind of grain. The value of each lot must be agreed upon by buyer and seller at each handling, and a certificate of inspection is no more than a general guide to the value. A late Milwaukee market report indicates the range in values in given grades for a single day. No. 1 northern wheat, 2 cents; No. 3 spring wheat, 3 cents; extra No. 3 barley, 10 cents; No. 3 barley, 12 cents; No. 3 white oats, 2 cents; No. 3 rye, 5 cents; several grades of corn, 1 to 2 cents each.

Why establish a Federal system when so much must be left to the individual judgment of each buyer and seller?

The variations in prices here cited are for one market covering grain from one section of the country, but similar grain in other markets or other sections would vary from these values still more, and no uniform system of grading can prevent this. The corn which goes out of New Orleans or Port Arthur differs from that handled at Milwaukee and Chicago. The wheat and barley exported from Pacific ports differs greatly from that exported from Atlantic ports, so that to the foreign buyer a United States certificate of inspection would mean one thing at one time and something else at another.

No set of rules for the guidance of grain inspectors can be devised for all the grain centers of the country which will not contain much that will be obsolete in many of them.

A system of Federal inspection would be objectionable in that it could not be readily changed to meet new conditions which are continually arising. The variations in the crops of grain from year to year, the demands of local buyers and sellers, the foreign demand, and other causes make it desirable to change the rules for inspection in each market, and the local grain dealers are more competent to decide what changes are desirable for all the interests involved than the Secretary of Agriculture can possibly be. If he should make the rules, it would continually be necessary for delegates from various grain markets to explain to him the changes that become desirable.

The competition which now exists between the several grain markets makes it for the interest of each to be fair in the matter of grain inspection, and no general abuse exists or is likely to arise.

The compensation to be paid inspectors can not be left to the Secretary of Agriculture, as proposed in the bill, without creating dissatisfaction. On a salary basis it probably would result in paying an inspector in a small market as much as one in a large market, and on a basis of fees the compensation would not be sufficient to attract competent men in all cases. Local control results in obtaining competent men when they are needed and paying them sums which are satisfactory to all concerned.

Provisions are made in the bill for appeal to the Secretary of Agriculture when there is dissatisfaction with the decision of a Government inspector, but owing to the delay this would involve and the impossibility of his examining more than a sample, there would be no practical relief, even if it were possible for the Secretary to pass upon the many cases in dispute. Local supervisors of grain inspection promptly act on all disputed cases and are able to hear the local inspector and the complainant and to examine all the grain in dispute.

No system for handling grain which can be devised can do away with occasional complaints, as individual judgments will differ, but the system in vogue in Milwaukee is as fair as can be devised, and results in the producer obtaining nearer the exact market value of his grain than can possibly be expected if the value is based on a Federal certificate.

These are some of the reasons which make the system of Federal inspection undesirable to the people of Milwaukee and the appropriation called for unwise in their judgment.

UNITED STATES DEPARTMENT OF AGRICULTURE,
BUREAU OF PLANT INDUSTRY,
Washington, D. C., March 23, 1908.

CHAIRMAN COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
House of Representatives.

SIR: I have the honor to transmit herewith a copy of a dispatch, received through the Department of State, from the American consul at Crefeld, Germany, under date of February 26, 1908, in relation to

the action of the German Handelstag in regard to American grain imports.

Trusting it may be of interest, I have the honor, sir, to be,
Very respectfully,

B. T. GALLOWAY,
Chief of Bureau.

No. 17.]

AMERICAN CONSULATE,
Crefeld, Germany, February 26, 1908.

THE ASSISTANT SECRETARY OF STATE,
Washington, D. C.

SIR: From information furnished me by one of the delegates to the German "Handelstag" (a meeting of the representatives of the German chambers of commerce held in Berlin, January 29, 1908), I have the honor to report that the question of reform in the American grain laws was brought up for discussion. Each delegate received a translated copy of a bill, which was to be laid before Congress during the present session, for the inspection and grading of grain in the home trade in order to insure the uniformity of standards and classification of the grain.

At this meeting they decided that if this proposed measure was passed that no further steps need be taken against the importation of American grain and that this proposed measure was one that had been sincerely desired, as it gave the control of the inspection into the hands of the American Government.

The threat of a boycott, as explained in a report from this consulate published in the Daily Consular and Trade Reports, on January 25, 1907, will be done away with on the adoption of these measures for the inspection and grading of grain, and the good feeling between the European importer and American exporter will be considerably furthered.

I have the honor to be, sir, your obedient servant,

JOSEPH EMERSON HAVEN,
American Consul.

41 234 84

HEARINGS

BEFORE THE

U.S.
COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE
OF THE HOUSE OF REPRESENTATIVES

ON

H. R. 6293, 6294, AND 14770

PROVIDING FOR THE INSPECTION
AND GRADING OF GRAIN

VOL. NO. 4



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COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
Monday, April 6, 1908.

Subcommittee: Hon. Francis W. Cushman, chairman; Hon. E. H. Hubbard, Hon. J. R. Knowland, Hon. Charles L. Bartlett, and Hon. W. H. Ryan.

FEDERAL GRAIN INSPECTION.

STATEMENT OF MR. S. H. GREELEY, OF CHICAGO, ILL.

Mr. CUSHMAN. Please give your name and your address to the stenographer, and the organization or organizations, if any, with which you are connected.

Mr. GREELEY. Samuel H. Greeley, Chicago. I represent the Farmers' Elevator Association of Iowa, and that same association of the States of Illinois, Kansas, and of Nebraska.

Mr. CUSHMAN. You may proceed in your own way.

Mr. GREELEY. At a recent convention held in Iowa of the Farmers' Elevator Association of the States I have named, resolutions were unanimously passed in favor of Federal inspection as outlined in the McCumber bill, the position taken by these organizations being to the effect that the inspection at present is very inefficient, corrupt, and not serving its proper purpose to the public. We have come to the conclusion, after very careful investigation of that subject, that inspection is one of the most important matters which concerns the agricultural interests of the country to-day. Whenever there is a question of the importance of this question to the agricultural interests of the country, we have come to the conclusion that there must be an alliance of the affairs of State with the affairs of the individual, in which the State does not perform a proper function to the individual, or that some individual has usurped the rights of the State, and performs a function which the individual should not perform toward the public; in other words, there seems to be a marriage between the individual and the State, and for the support of this marriage is a system of corruption which we desire the Federal Government to remove.

Mr. CUSHMAN. Let me interrupt you there just a moment, Mr. Greeley. I want you to proceed in your own way, but is it your desire that we should have a Federal law that should remove this condition of corruption that you state exists in the States?

Mr. GREELEY. Yes, sir.

Mr. CUSHMAN. Don't you think that purity, like charity, should begin at home?

Mr. GREELEY. No, sir, not in this case; this is a function which we want to show should be performed by the Government. The cause and the effect, in the discussion of this inspection proposition, should be shown. When there is a disease there is generally a germ, and when the germ is discovered we are liable to locate the disease, and when the disease is discovered we are usually able to locate the germ.

This is the way we desire to present this matter to your committee, and this effect we will discuss first: There is in Chicago—and I desire to confine myself particularly to Chicago in this discussion—a public-warehouse system of handling grain. The public warehouses of Chicago are practically in the control of five firms or corporations who have under their control the public-elevator capacity of the city of Chicago with the exception of one warehouse, the total capacity under their control being 21,000,000 bushels. They also control a number of private houses known as hospitals, having a capacity of 13,150,000 bushels; and I desire to present to your committee a list of these elevators, to become a part of the record.

Following is the list referred to:

Chicago public warehouses in control of the trust, including every public elevator except one.

Name of warehouse.	Operated by—	Capacity.
Armour Elevator, comprising houses A, B, and B annex.....	Armour Elevator Co.....	<i>Bushels.</i> 5,000,000
Armour Elevator C.....	do.....	1,000,000
Calumet Elevator C.....	Calumet Elevator Co.....	1,500,000
Central Elevator A.....	Central Elevator Co.....	900,000
Chicago and St. Louis Elevator and annex.....	Keith Elevator Co.....	2,000,000
City Elevator.....	J. Rosenbaum.....	1,000,000
National Elevator.....	Central Elevator Co.....	1,000,000
Peavey Elevator B.....	Peavey Grain Co.....	1,550,000
Rock Island A.....	J. Rosenbaum.....	1,250,000
Rock Island B.....	do.....	800,000
South Chicago Elevator C and annex.....	South Chicago Elevator Co.....	3,000,000
Union Elevator and annex.....	Armour Elevator Co.....	2,000,000
Total capacity.....		21,000,000

Private warehouses in control of the trust.

Name of warehouse.	Operated by—	Capacity.
Armour E.....	Armour Elevator Co.....	<i>Bushels.</i> 800,000
Armour F.....	Armour Grain Co.....	700,000
Calumet A.....	Calumet Elevator Co.....	1,200,000
Calumet B.....	do.....	1,500,000
Central B.....	Central Elevator Co.....	2,000,000
City.....	J. Rosenbaum Grain Co.....	1,000,000
Indiana Harbor Elevator.....	Bartlett, Frazier & Carrington.....	500,000
Iowa.....	Armour Elevator Co.....	1,500,000
Irondale.....	J. Rosenbaum Grain Co.....	1,500,000
Minnesota and annex.....	Armour Elevator Co.....	1,200,000
Peavey A.....	Peavey Grain Co.....	750,000
South Chicago D.....	South Chicago Elevator Co.....	1,000,000
Total capacity.....		13,150,000

Now, the abuses resulting from a poor inspection of the grain largely comes through this system of public warehouses. The warehousemen in charge of these elevators are prohibited by law from assuming the capacity of a warehouseman and merchandiser of products while at the same time they act as the custodian of the property of others, and to show this law, and that it may become a part of the record, I wish to introduce a very brief quotation from the decision of the supreme court of the State of Illinois upon the position that a public warehouseman in the capacity of custodian for others can not at the same time be a merchandiser of grain; and ask that these brief quotations be made a part of the record as quoted.

Following is the decision referred to:

Mr. JUSTICE CARTWRIGHT delivered the opinion of the court:

Appellants in these nine cases were defendants in the circuit court of Cook County to informations in equity filed by the attorney-general against them as licensed proprietors of warehouses of Class A in Chicago, or stockholders of corporations so licensed. The informations made the same general allegations in each case: That defendants had stored grain owned by themselves in the particular warehouse of which they were proprietors; that not less than three-fourths of all the grain received in the public warehouses in Chicago was owned by the warehousemen; that the grades for inspection of grain were such that the grain of each grade was not of the same quality, but that separate carloads of different quality and value were graded in the same grade; that by reason of advantages of the defendants, as owners of warehouses, in mixing and manipulating grain and rebating storage charges and otherwise, they had been enabled to drive out competition and hold and enjoy the privilege of buying grain free from competition, and that such storing of grain was unlawful and injurious to the public. All the informations prayed for the same relief—a perpetual injunction to restrain defendants, as warehousemen, from storing grain in their own warehouses. The answers admitted, in each case, that defendants were operating public warehouses of Class A, in which grain was stored in Chicago, and that they had stored grain owned by them in their own warehouses, and claimed the right to do so. The answers also set up a general custom of thirty years' standing, under which the proprietors of public warehouses were accustomed to store their own grain and mix it with the grain of their customers, and also that the warehouse commissioners had construed the act of 1871 as permitting that custom, and that such purchases of grain and such custom had a beneficial effect upon producers, shippers of grain, and dealers in grain throughout Illinois and the Northwest. A great amount of evidence was taken, and a decree was entered in each case granting the relief prayed for. Where the defendant was a corporation, the stockholders were enjoined from storing their own grain in the elevators of their own corporations. These appeals were prosecuted from the decrees so entered. The cases were argued together and were all submitted upon the same briefs and arguments.

It is contended that a court of equity has no jurisdiction in a case of this character, and, especially, because by the provisions of the warehouse act the license is made revocable for any violation of law, so that the statute affords a sufficient remedy for any illegal act by the licensee. This objection was not made by the answers, and the fact that the statute provides an efficient remedy for a violation of duty by a warehouseman and licensee can not be raised for the first time in this court if the case is one in which a court of equity might, under any circumstances, obtain jurisdiction. There are subjects which can not be brought before a court of chancery, even by consent of the parties; but if a defendant makes no objection to a hearing of the cause, and participates in it, he must be regarded as consenting to the jurisdiction, and if the subject-matter is such that jurisdiction can be conferred in that way he will not be heard to complain of the want of it. In such a case, if a defendant goes to a hearing without objection he can not, in case of defeat, make the objection here. Clearly, this is such a case. The relief sought by the informations, and the subject-matter, are neither of them foreign to equity jurisdiction. The constitution declares that warehouses such as defendants are licensed to carry on are public warehouses, and that it shall be the duty of the general assembly to pass all necessary laws to give full effect to that article of the constitution, which shall be liberally construed to protect producers and shippers. In compliance with the requirements of the constitution the warehouse act of 1871 was enacted, by which defendants were permitted to exercise the business of public warehousemen and to conduct such public warehouses. They procured their licenses, and thereby voluntarily submitted their property to the law. The right of the State to control them in that business is conceded, and the right of the State, through its attorney-general, to restrain them in the use of their public warehouses within the limitations of the law and to prevent resulting public injury is not foreign to the powers or jurisdiction of a court of equity. Defendants could not operate their warehouses and devote them to such uses without a license and the giving of a bond to faithfully comply with the law. The attorney-general alleged injury to the public from violations of the laws governing them and their warehouses, and this authorizes the court of equity to protect the public right—at least where there is no objection that the law furnished an adequate remedy.

It is a firmly established rule that where one person occupies a relation in which he owes a duty to another he shall not place himself in any position which will expose him to temptation of acting contrary to that duty or bring his interest in conflict with his duty. This rule applies to every person who stands in such a situation that he

owes a duty to another, and courts of equity have never fettered themselves by defining particular relations to which, alone, it will be applied. They have applied it to agents, partners, guardians, executors, administrators, directors, and managing officers of corporations, as well as to trustees, but have never fixed or defined its limits. The rule is founded upon the plain consideration that the one charged with duty shall act with regard to the discharge of that duty, and he will not be permitted to expose himself to temptation or be brought into a situation where his personal interests conflict with his duty. Courts of equity have never allowed a person occupying such a relation to undertake the service of two whose interests are in conflict, and then endeavor to see that he does not violate his duty, but forbids such a course of dealing irrespective of his good faith or bad faith. If the duty of the defendants, as public warehousemen, stands in opposition to personal interest as buyers and dealers in grain storing the same in their own warehouses, then the law interposes a preventive check against any temptation to act from personal interest by prohibiting them from occupying any such position.

The public warehouses established under the laws are public agencies, and the defendants, as licensees, pursue a public employment. It is clothed with a duty toward the public. The evidence shows that defendants, as public warehousemen storing grain in their own warehouses, are enabled to and do overbid legitimate grain dealers by exacting from them the established rate for storage, while they give up a part of the storage charges when they buy or sell for themselves. By this practice of buying and selling through their own elevators the position of equality between them and the public whom they are bound to serve is destroyed, and by the advantage of their position they are enabled to crush out, and have nearly crushed out, competition in the largest grain market of the world. The result is that the warehousemen own three-fourths of all the grain stored in the public warehouses of Chicago, and upon some of the railroads the only buyers of grain are the warehousemen on that line. The grades established for different qualities of grain are such that the grain is not exactly of the same quality in each grade, and the difference in market price in different qualities of the same grade varies from 2 cents per bushel in the better grades to 15 cents in the lower grades. The great bulk of grain is brought by rail and in carloads and is inspected on the tracks, and the duty of the warehousemen is to mix the carloads of grain as they come. Such indiscriminate mixing gives an average quality of grain to all holders of warehouse receipts. Where the warehouseman is a buyer the manipulation of the grain may result in personal advantage to him. Not only is this so, but the warehouse proprietors often overbid other dealers as much as a quarter of a cent a bushel and immediately resell the same to a private buyer at a quarter of a cent less than they paid, exacting storage which more than balances their loss. In this way they use their business as warehousemen to drive out competition with them as buyers. It would be idle to expect a warehouseman to perform his duty to the public as an impartial holder of the grain of the different proprietors if he is permitted to occupy a position where his self-interest is at variance with his duty. In exercising the public employment for which he is licensed he can not be permitted to use the advantage of his position to crush out competition and to combine in establishing a monopoly by which a great accumulation of grain is in the hands of the warehousemen, liable to be suddenly thrown upon the market whenever they, as speculators, see profit in such course. The defendants are large dealers in futures on the Chicago Board of Trade, and together hold an enormous supply of grain ready to aid their opportunities as speculators. The warehouseman issues his own warehouse receipt to himself. As public warehouseman he gives a receipt to himself as individual and is enabled to use his own receipts for the purpose of trade and to build up a monopoly and destroy competition. That this course of dealing is inconsistent with the full and impartial performance of his duty to the public seems clear. The defendants answer that the practice had a beneficial effect upon producers and shippers, and naturally were able to prove that when, by reason of their advantages, they were overbidding other dealers there was benefit to sellers, but there was an entire failure to show that in the general average there was any public good to producers or shippers.

The answers also set up, and it is claimed here, that there was at the time of the passage of the warehouse act a general custom of warehousemen to deal in grain and to store it in their warehouses, and that the law was passed with reference to that existing custom. The evidence fails to establish any such custom. The amount so bought and stored or dealt in up to the year 1885 was trifling, and the first time when there was any material increase was in 1890. Many witnesses who would have known if such a practice or usage existed united in denying all knowledge of it, and many of them testified that they never knew or heard of any elevator owner buying or selling grain prior to 1885. There was no such custom.

Finally, it is claimed that there has been a practical construction of the law by the warehouse commissioners, permitting the practice complained of. There was a

little buying and storing of grain by warehousemen from time to time, but it was so insignificant as to call no attention to it until in recent years. It is said, however, that since the practice became common the warehouse commissioners, charged with the administration and enforcement of the law, did not question the legality of the practice. There was nothing in the nature of affirmative construction, and the most that can be said is that the warehouse commissioners failed to appeal to the attorney-general to institute a suit and failed to prosecute the offenders. That fact does not amount to practical construction. If the commissioners were derelict it would not bind the public, and indifference on their part could not have that effect.

Neither are the public barred by laches. The stockholders who were made defendants occupy such a relation to their corporations that they can not be permitted to use the property which they have devoted to public use to carry on their individual business with substantially the same effect and the same deleterious result to the public interest as if done by the corporation.

The decree of the circuit court is affirmed.

Decree affirmed.

These warehousemen buy grain on the Chicago market, store it in public elevators, and sell that grain ahead for future delivery for the purpose of accumulating a storage charge in the elevator. This grain is bought by them on a basis of the grades set by the State inspection department of the State of Illinois. The grain is sold from the public houses on the basis of the inspection of the supervising inspector of the State of Illinois. The aim and object of this combination or trust, as we term it—and we can show that it is a trust and a combination—is to buy the grain, as I have stated, sell it ahead for future delivery, and exact from the speculative public a carrying charge for holding that grain in storage, pending the time of future delivery.

Mr. CUSHMAN. Will Federal inspection change that situation?

Mr. GREELEY. I will lead up to that presently.

Now, then, it is the aim of the trust to make the grades in the elevators as low as possible in order that the speculative public will not take it from storage, but will continue to leave it in storage, and continue therefore to permit this tax to run month after month and month after month; for instance, they make up 100,000 bushels of wheat, place it in public storage, but before placing there mix it to as low a grade as possible to pass the contract grade which will apply on contracts for future delivery, and sell that wheat ahead for May delivery. When May delivery comes it is their hope that the poor quality of the contract grade manufactured by them will cause them to still hold it, and they stand ready to depreciate the price at which it is sold, to buy it back from the speculator, sell it ahead for another future delivery, and when that time arrives to hope that the speculator will sell it again, and then the elevator man will sell ahead for another delivery, thus perpetuating an endless chain of forced liquidations or forced sales, in order that they may not only secure the profit on the grain itself by the forced liquidations, but in addition that they may secure the profit on a large amount of speculative deals and transactions as well as the cash.

Mr. CUSHMAN. What difference will there be with that situation as you have described it when you get Federal inspection law as distinguished from the State inspection law?

Mr. GREELEY. I am perfectly willing to answer the question, but if you will permit me I will continue with the abuses in the practice, and then lead up to the discussion of the remedy.

We contend that the operating system, the great operating system, in that market is a system that is based upon the lower the grade the greater the profit of the trust; the lower the grade the longer

the grain is likely to continue in storage; the lower the grade the more unlikely the public is to take the goods from storage; the lower the grade the longer the grain is likely to remain in storage and the greater the advertisement to the world that our markets are over-produced; and by the accumulations in market centers forcing the opinion in foreign markets that our crops are over-produced, because this grain does not leave, and, in general, it is a depreciating factor in grain produce. It is also noticeable that the lower the price of the grain held by illegally operating warehousemen in storage the greater the trust's profit, for then there is less cost of insurance to carry the grain pending the time of the future delivery for which they have already sold the grain on the future contracts.

Now, then, we wish to show the system that is in operation as evidenced by the testimony given by the warehousemen themselves, and I offer the following quotation from the Interstate Commerce Commission's report of October 15 to 23, 1906, relative to the conditions in the grain trade. The testimony is from Mr. John J. Stream, manager for J. C. Shaffer & Co., one of the companies controlling the Chicago public warehouse system at Chicago: Mr. Stream says:

We generally buy grain on basis of futures. The price of the futures is established on the floor, and we base the price of the cash on the futures, so when we send out our bids to the country any acceptance we get we sell for future delivery. When the grain comes in, if it grades we sell it out and buy back the future. If it does not grade we put it in the cleaning house, and if we can ship it to better advantage we ship it without putting it in a public house. If we can not, we make it into contract grade and sell to a member of the board to go into a public house, immediately buying back our future.

Our contention being that the system of operation of the great warehouses of Chicago in the public service is, by the testimony of its own men, that the public in the trading of grain for future delivery, which constitutes by far the larger volume of trade in the market, to take the grain when it is not otherwise readily marketable and manufacture it into an improved grade, and then when manufactured into the improved grade deliver it to the public.

Now, it is noticeable that in our market, when grain is delivered to the public from a public elevator, and public warehouse receipt is issued for the grain, that it is not possible for the public to have reasonable assurance as to the quality of the grain which comes out upon that receipt when the receipt is delivered and paid for.

Now, then, to show further, by testimony from other men, I will refer to the testimony given by Mr. James A. Patten, of the firm of Bartlett, Frazier & Carrington, which firm is also connected with the Chicago elevator trust. This is a copy of the testimony at page 299 of the abstract of record to the supreme court of the State of Illinois, March term, 1897. This testimony was introduced by Mr. Patten before he became a member of the Chicago grain trust, and at a time when he was an independent handler of grain in the Chicago market. His testimony is as follows:

About the time I speak of—

which was between 1890 and 1894—

I found difficulty in securing enough grain and found the elevator companies were going around among the tables bidding one-eighth to one-quarter of a cent more than the price bid in the car-lot market. I also found they were willing to resell that grain to me at a quarter of a cent less than they were paying for it. In the course of time I found I could not buy anything in the car-lot market, and that I had to buy all my

grain from the elevators. Then again in the course of time I found I could not buy anything from the elevator companies only when they pleased to sell me. I found that they were offering grain in the East to my own customers at prices that they asked me. There was no money in it for me to buy grain and resell it at the same price. It grew worse from 1890 down to the time I quit the business. There is no car-lot trade left now.

Now, further testimony of Mr. Patten, at page 306 of the same book, is as follows:

I said something about competition of elevators in the eastern markets. I was affected by competition to a certain extent. The New England trade made a specialty of yellow corn. There are grades in our market of 2 and 3 yellow. These elevator companies also had private elevators which were not under the control of the State inspection. They would buy both grades to go to store and sell the No. 2 grade yellow in New England. I noticed from the inspection sheets that these companies very rarely inspected any 3 yellow corn out of store. It always came out No. 2. And I noticed I had that competition to meet at the other end from the elevator companies. In other words, they adulterated their goods, to be plain. They did not give the trade East, but they claimed to, although they gave them the inspection certificate of out inspection.

Now, gentlemen, the testimony of Mr. Stream, of the grain trust, states, as I have quoted, that when they are unable to use the grain for marketable purposes they mix it in the public warehouses and distribute it to the public. Mr. Patten says that the system of public warehousing of grain is conducted on the basis of adulteration of the goods.

Mr. CUSHMAN. Are there any honest men in the city of Chicago engaged in the handling of grain?

Mr. GREELEY. There are no men handling grain in the 34,000,000 bushels of elevator capacity to which I have referred but who is a law breaker and a commercial pirate.

Mr. CUSHMAN. Well, now, don't you think that it is a rather difficult thing for Congress to attempt to pass a law to take the place of individual honesty, particularly where the dishonesty complained of exists in a State?

Mr. GREELEY. That is right in line with the question you previously asked me, which, if you will permit me to finish just one more reference to the testimony, I will take up. I am proving the evils of the system as far as I am able to. This is the testimony of two out of five concerns who control between one-half and three-quarters of the total elevator capacity of Chicago, and it will now be followed by the testimony of the board of trade committee appointed by the directors of the board of trade to investigate conditions relative to the inspection of grain in the warehouses as conducted by J. Rosenbaum, one of the proprietors of a public elevator in Chicago, the intent and purpose of the testimony being to show the very incompetent system of State inspection in the State of Illinois, and going to show also, as we believe, a certain very unreliable condition in the inspection of the State, and we will let the statement speak for itself as regards your judgment of it.

Mr. CUSHMAN. The point I was going to make in that regard is this: If you have an incompetent State inspection or a dishonest State inspection, the remedy for that is with the people in the State.

Mr. GREELEY. We claim not.

Mr. CUSHMAN. That is one of the troubles we have here, that a lot of people who do not seem to take hold of these matters at home within their own jurisdiction and exercise their own power, and clean

house at home, come down and dump their troubles on us, saying: "We have a rotten situation at home which we want the Federal Congress to clean up for us."

Mr. GREELEY. But we claim that the inspection of grain is a Federal function, and because it happens to have been under the supervision of certain boards of trade or certain commercial bodies of the various States, and possibly in three or four instances under State supervision—that the fact that heretofore it has so been conducted is not conclusive proof of the fact that it is not a Federal function.

Mr. CUSHMAN. Let me ask you one question right there: Do you think of anything now in the domain of human affairs in the United States that is not a Federal function?

Mr. GREELEY. I only say in answer to that, that after careful consideration of the proposition by the members of our organization, in which 65,000 men have passed upon this through their proper officials, and after careful discussion by nearly 3,000 delegates, we have come to the conclusion that it is our mission to send men to Washington to tell you that we think it is a Federal function.

Mr. CUSHMAN. I am not complaining about that, and am glad to have your views about it. When you determined that it was a Federal function, what did you base that belief upon, your desire to get relief, or upon a legal presumption?

Mr. MARSHALL. You are a lawyer; I am not; but I do not think there could be any question but what the inspection of grain that was entering into interstate commerce, or grain that was to be sold in the State of Illinois to be delivered to the State of Michigan, or any other State in the Union, or grain that was to be sold and transported to a foreign country, would be entitled to come under the provisions of the interstate commerce law and be entitled to Federal regulation, provided the Government saw fit to do it. You would hardly deny that, Mr. Chairman?

Mr. CUSHMAN. Oh, no; but ought that to be in addition to State inspection, or supersede State inspection?

Mr. MARSHALL. Well, it ought to supersede State inspection wherever grain is going to be sold outside of the State or transported, and it ought to be so arranged that if the people living within a State, and dealing among themselves within the State, acquiesce in this Government inspection, they should have the benefit of it. Of course it would manifestly be impossible to say to the citizens of the State of Illinois, "You must submit to a Federal law;" but I can conceive that a Federal law that applied to interstate commerce and interstate trade could be made to fit local conditions provided the local people accepted it and acquiesced.

Mr. CUSHMAN. Mr. Marshall, just one other matter. It occurs to me, for instance, take grain that is raised in Illinois and is shipped to Chicago, and is still within the State. It is manifestly impossible, it seems to me, many times, to tell whether that particular grain is intended for interstate shipment or not.

Mr. MARSHALL. That is true; but it is also true that probably 90 per cent or 95 per cent of that grain does ultimately go into interstate commerce; that is, a very small per cent of it would be consumed within the State.

Mr. CUSHMAN. Yes; just one more observation. I do not want you to draw the inference that by reason of these questions I am

hostile to you, but there are a good many of these propositions that we have to meet.

Mr. HUBBARD. I would like to ask Mr. Marshall, with reference to a statement just made, whether both systems of inspection should be maintained—the Federal inspection for the interstate grain and the State inspection for the intrastate grain?

Mr. MARSHALL. I rather think of course that should be optional for the people within the State, if they wanted to maintain State inspection, but I believe that would be discontinued soon after the Federal inspection was established, and that they would find it to their advantage to rely upon the Federal inspection only.

Now, one word more with reference to a question asked by the chairman. The bulk of the grain shipped to Chicago, or a very large per cent, enters into interstate commerce the minute it is loaded.

Mr. CUSHMAN. There is no question about that.

Mr. MARSHALL. I would like at this point, upon the part of Mr. McFadden, who represents the North Dakota Bankers' Association, and who is here, and who also has made a study of this question, having been to Duluth and Minneapolis, that if there is no opportunity for him to be heard by the committee he may file a written statement.

Mr. CUSHMAN. I will only suggest at this time that you gentlemen are welcome to all the time that we have, and I only regret that there are but fifty-five minutes remaining. Of course we will gladly grant permission to Mr. McFadden to file any statement that he may desire to file.

Mr. MARSHALL. Mr. McFadden is abundantly satisfied to file a written statement. I would like also to say that I have at one time filed a statement with this committee, but I would like permission, before the hearings are entirely closed, in case I should do so, to file another statement.

Mr. MESSEROLE. As Mr. Greeley represents our association in connection with the associations of Kansas, Nebraska, and Illinois, we should prefer, so far as we are concerned, to give him most of the time, because we consider that his evidence will be the most important that we can give to you.

The CHAIRMAN. Any arrangement that you desire to make will be satisfactory to us, and we only wish we had more time.

Mr. GREELEY. Now, there is no use in asking for Federal relief unless there is something to be secured, and I want to show the unfortunate condition resulting from the prevalence of the present system before we start in on the discussion as to whether or not Federal supervision is the remedy.

Continuing on the line of the evils resulting from State inspection, I desire to present to this committee, as mentioned above, a report of the committee appointed by the directors of the board of trade of the city of Chicago with reference to the inspection of certain wheat of J. Rosenbaum, a public warehouseman in the city of Chicago.

Reads:

Your committee finds that on August 4, 5, 7, 8, and 9, about 125 cars of wheat loaded from the Irondale Elevator, purporting to be No. 2 red winter wheat and intended to be unloaded into Rock Island Elevator B, were "plugged" with screenings or very low-grade wheat. The quantity of such screenings or low-grade wheat in each car varied from less than 50 bushels to 250 bushels according to the capacity of the car; that the screenings were loaded on the bottom of the cars and covered with so large a quantity of good wheat that about 100 cars were passed as No. 2 red by the State grain

inspection and the board of trade grain samplers before this method of "plugging" was discovered; that of the cars so "plugged" about 60 were received and stored in Rock Island Elevator B without protest from the superintendent thereof and a like number (about 60) were returned to the Irondale Elevator and taken back into that house, and from the bottom of the 60 cars so taken back into the Irondale Elevator there was recovered about 10,000 bushels of "screenings." The evidence appears conclusive to your committee that the cars unloaded into Rock Island Elevator B contained an aggregate of at least 10,000 bushels of "screenings" or low-grade wheat.

Neither of these employees of the Irondale Elevator had control of the loading of grain other than to allow it to drop into a car when so notified from the loading floor, and to drop only such grain from such scales as these instructions named. Each "plugged" car showed two drafts, one being the screenings or poor wheat in the bottom, showing about 10 per cent of the load, the other 90 per cent of the load being wheat supposed to pass the inspection department as No. 2 red.

The board of trade weighman was requested to make his reports show in a similar manner—that is, one draft instead of two—but upon consulting his superior officer he was ordered to keep a memorandum in his book showing exactly the number of drafts, etc., so that this committee was able, by reference to the records of the board of trade weighing department, to ascertain to a pound just how much of this so-called "dope" was loaded out during the five days mentioned. While both Forsaith and Bevan knew that these cars were being "plugged," they were simply following instructions of their superior officers, and as Superintendent Sayre employed them, and they knew that he was cognizant of the "plugging," and both testified that it was a custom at the house not only to "plug" cars, but cargoes, they were in no wise to blame, in the opinion of the committee, for this method of loading.

Both Forsaith and Bevan were discharged on the Saturday afternoon following the discovery of the "plugging," and on the afternoon of August 18, when the first committee having this matter in charge called on Mr. E. F. Rosenbaum for a statement, and he appeared before it, he stated that those men had been discharged for "plugging" the cars, but as the evidence developed your committee was forced to the conclusion that these men were simply "scapegoats." Later on Mr. E. F. Rosenbaum appeared before this committee and qualified his statements as to the reasons for discharging these men in such a manner as to show that there was possibly other reasons for their discharge.

Rock Island B, where the "plugged" cars were unloaded, is in the charge of one Peter McCarty, superintendent, who was appointed to that position in July, when the house was declared regular, and had previously been a tallyman holding about the same position as Forsaith at the Irondale Elevator.

He had been an employee at elevators for a number of years as weigh man, foreman, and superintendent, holding the position at one time of superintendent of the Chicago Elevator Company's elevators, while Lloyd Smith was the manager. He appeared before both committees and denied that any "plugged" cars had been unloaded into Rock Island Elevator B. He also denied knowledge of where cars that were being unloaded into this house were shipped from. As the evidence before your committee clearly shows that practically all of the grain received into Rock Island Elevator B was from the Irondale house; that each morning the J. Rosenbaum Grain Company sent to the Rock Island Elevator B a list of the cars and kind of grain that was ordered to Rock Island Elevator B to be unloaded; and as two of the board of trade weigh men who weighed grain into Rock Island Elevator B during this period testified that Superintendent McCarty told them where the cars were from and they made the notation "from Irondale" on their original tally sheets, which were in evidence before the committee; and as the board of trade grain samplers visited Rock Island Elevator B for the purpose of sampling cars shipped from the Irondale house and received a list of those cars from Superintendent McCarty; and as Mr. E. F. Rosenbaum testified "He must know, it was a matter of common knowledge," your committee is forced to the conclusion that this witness was untruthful to say the least.

MR. CUSHMAN. Why should the State inspection be loose?

MR. GREELEY. It is loose, and we want the Federal inspection to make it tight.

MR. CUSHMAN. Why don't the State act within its own domain and tighten up the State inspection?

MR. GREELEY. Because the grain enters into interstate commerce, and it is a Federal proposition.

MR. CUSHMAN. But that is true of everything that is handled; it is true of clothes, it is true of butter, and it is true of eggs.

Mr. GREELEY. It may be true with those, but we think it is true of grain, and that is the reason why we ask for this legislation.

Mr. HUBBARD. Do you think the State inspection is loose at all inspection points, or do you think the looseness applies only to Chicago?

Mr. GREELEY. I am referring particularly to Chicago; I am not familiar with State inspection outside of Chicago.

Mr. CUSHMAN. There are reasons that appeal to me why there should be Federal inspection, but it does seem to me to be one of the most peculiar situations that has ever been brought to my attention, to have men from Chicago come here and say, in effect, "the city of Chicago is rotten in grain inspection; we have not cleaned that out; we have not fixed it up so as to make the State inspection good, careful, proper, and adequate, but in order to do in the Federal line what we have declined to do in the State line we want Federal inspection." Now, if you were taking the position that the State inspection at Chicago was as good as it could be made under the circumstances, but still was not adequate, and you desired Federal inspection in addition to that, it seems to me that your position would be more tenable.

Mr. GREELEY. Now, let me answer that. Suppose that 100, or, say, 100,000 men come to you with a complaint with reference to the Federal Government, and they say to you: "We believe the handling of mails, the conduct of mails, or the inspection of mails, is improper, loose, and subject to public criticism"—

Mr. HUBBARD. At one point?

Mr. GREELEY. At one point; the city of Chicago. And we say: "We come to you, at Washington, to report that fact." Suppose that the mail system was under the supervision of the State, and we were to come to you and say: "Gentlemen, we believe that the handling of mails is a matter of Federal supervision, and we want the situation remedied by the Federal Government." Now, why should we consider this a Federal proposition? Only for the reason that we consider grain is just as much a matter of interstate commerce, when it is in shipment across the country as an export proposition, and in proportion to the conditions existing, as the mail.

Mr. CUSHMAN. Let me call your attention to the fact that the illustration which you use, as to the mail, is hardly to be compared with this, because the mail is handled exclusively by the Government now. Here is a grain proposition which you expect to be met partially by the State and partially by the United States, and it seems to me, if I follow you correctly, that the tenor of your remarks, to a large extent, is a complaint against the loose, improper, and dishonest conditions that exist in the city of Chicago.

Mr. GREELEY. Do you think it is a proper function of the Government to inspect meats or foods?

Mr. CUSHMAN. Yes; those all go into interstate commerce.

Mr. GREELEY. Do you also consider that grain should be eliminated from that list as a food product?

Mr. CUSHMAN. Not necessarily; but the point that strikes me is, that you are complaining of a very loose and dishonest situation that exists under a State law, and it seems to me that some effort ought to be made first by the State or States to get adequate State inspection.

Mr. MESSEROLE. May I say a word?

Mr. CUSHMAN. Certainly.

Mr. MESSEROLE. Because it seems so important at this time. I have a paper here, which is offered by Mr. B. R. Beall, a grain dealer of Kansas City, Kans., which gives evidence of some of the conditions, of which Mr. Greeley has told you, at the Kansas City market, and at the ports of shipment to foreign countries. Do you know that about 65 per cent of the farmers' grain is sent to these markets, which we have told you about, and they have no voice whatever in the regulations, which you have asked Mr. Greeley to make. Supposing that Mr. Greeley refuses to go home and wash his dirty linen, what are we people in Iowa to do about it? And I want to say to you that there is an element of men like Mr. Greeley who have fought this thing for years in Chicago, and who have tried to rectify these things.

Mr. CUSHMAN. I am glad to have you state that.

Mr. HUBBARD. Do these things exist, so far as you know, in other places than Chicago?

Mr. MESSEROLE. I know that the same conditions exist in Minneapolis, the same conditions exist in St. Louis, and it is the common gossip upon the exchange at St. Louis that any commission man can go to an inspector in St. Louis and ask him, upon presenting a sample, to rub out the inspection of No. 4 white oats, say, and make it No. 3 white, without the formality of making an inspection. That is true.

Mr. HUBBARD. There has been a pretty strong showing here that the inspection at Minneapolis was thorough and adequate.

Mr. MESSEROLE. Mr. McFadden, of the Bankers' Association, is more familiar with that than I am. We do not handle any wheat from our section, but I had two cars of grain that were raised in the same field, shelled from the same crib, and loaded from the same bin to the cars, shipped the same day, arrived and inspected the same day, and one was graded No. 3 yellow, and the other no grade. That is a glaring exhibition of irregularity of some kind; and it seems to me that it is wrong, incompetent, or even worse. Here is one more illustration that I want to give to you: At the time of the recent money panic we had a great deal of grain in transit consigned to commission houses. The slump came in the market, oats dropped 15 cents a bushel, and we asked our commission men to put that grain in store and hold it, believing as we did that the market would recover rapidly and we would get back a portion of that loss. The commission men told us that the minute we put that grain in store, and were compelled to accept from these elevator people the mixture we would have to accept, that we would do so to the disadvantage of 3 or 4 cents a bushel, notwithstanding we would be paying them for storage in a public warehouse.

Mr. CUSHMAN. That certainly is a very sad situation.

Mr. GREELEY [reads]:

It is significant that screenings had been accumulating for two years at the Irondale house, and that about 50,000 bushels were on hand when Rock Island Elevator B was made regular and that an attempt should be made almost immediately to dispose of these screenings by first sending 150,000 bushels of good No. 2 red winter wheat to the Rock Island Elevator B and then by endeavoring to get more than 20,000 bushels of the screenings into the house, by the "plugged" car route, with the brand of No. 2 red wheat on it, while it was worth about 25 cents per bushel less than that grade.

This market has long suffered from a lack of public confidence in the integrity of the grades of grain held in public warehouses. While this committee has no substan-

tial evidence to bring forward, it has been led to believe that practices such as this report deals with have not been confined to the Irondale and Rock Island B elevators. The unsatisfactory quality of grain offered shippers, when drawing grain from public elevators, has been the subject of much unfavorable comment for years. The mystery as to how such poor grain could have been inspected into the houses is possible of explanation if the "plugging" system has been in vogue in years gone by.

Mr. GREELEY. Now, we take the position, as handlers of grain, and men who market in the neighborhood of 75,000 carloads a year, who have between 700 and 800 elevators, and are merchants and shippers to the market—we make the statement to the members of this committee that a public warehouse grain receipt in the city of Chicago is a depreciative bit of paper, a bit of paper in which no man in the grain business in the world has confidence; that the public, which handles millions and millions of dollars worth of grain in the city of Chicago and which bases its cash and speculative business largely upon the quality of the warehouse receipts, is forced to go elsewhere to fill contracts, and that the warehouse system, being under the proprietorship of men whose aim is to make a depreciated grade of property, forces liquidations and sales of the grain in the future market; and that the general tendency of the depreciated mixture in the public warehouses takes away the confidence of the foreign buyer, the miller, and the speculator, and places the control of the warehouse receipts in the hands of the grain trust, whereby, by the possession of the facilities and the ownership of the receipts, they are able to milk the market, and do it right along.

Now, we come to Congress with that condition of a commodity, subject to the evils in the Chicago market, and ask for Federal relief. We take the position that the fact that it has been under State inspection is no reason why it is not a Federal proposition. We believe that the establishment of Federal inspection will insure uniformity of grade which does not now exist. There are different qualities of the same grade probably established by every market where grain is graded, and foreign buyers have no assurance as to what constitutes a certain grade of grain in this country. But we believe that if the United States Government, under a system of civil service, and the education of competent inspectors, and the establishment of given rules and regulations, shall take hold of this, that foreign buyers of grain in this country will have more assurance of its quality, while now, when they buy at Minneapolis, Chicago, St. Louis, Kansas City, or through other inspection, they never know what really constitutes a uniformity of grades.

Mr. CUSHMAN. I can see that there is some considerable force in that contention.

Mr. GREELEY. Now, as to the legality of the Department of Agriculture assuming the responsibility for the people of the United States in this matter, we are not lawyers, we are not constitutional lawyers, we do not understand that, but we take the word of men who have investigated this question, and these men say that the bill as prepared by Senator McCumber is legal and proper. We believe that in Chicago, under a proper inspection of grain at public elevators, under a Government system of civil service, that when some man who was formerly employed by this trust at a private elevator, and is put in charge of a public elevator, and permits hundreds of thousands of bushels of screenings to be unloaded in a public warehouse—that

when that is discovered under Federal inspection the Government will be sufficiently severe to see that somebody is prosecuted; but we have no assurance of that, as a matter of fact, it might be that a Government inspector would not be honest, but we think that a system of uniformity and care that would be required under a system of civil service and Government supervision would have a beneficial and helpful effect, and that the grades established under the superintendence of the Secretary of Agriculture by experts, and the knowledge of what constitutes each grade being given by men educated by the Department, would have a tendency to make a uniformity of grade throughout the country by which the business could be conducted.

Now, we make the assertion without an exact knowledge of the fact, but we have reason to believe it to be true, that not a producer in the United States of prominence, representing any body of prominence, is opposed to the federal inspection of grain. We make the assertion that the men in favor of the continuance of the present system are the men who hold the grip upon the situation at the market centers, that they are the men who have forced a depreciation upon the initial arrival of grain, and that the grain is depreciated under the inspection when it is put in the public warehouses for delivery to the public. We believe the entire system is modeled at the Chicago market in the interest of men to whom I have referred in a document presented in the evidence before this committee; that the evils are so abundant that thousands of pages of testimony could be given to this committee to show it.

Mr. CUSHMAN. I understand that you represent what is called the Farmers' Elevator Company. Have they any elevator in Chicago, or any representative there, who directly represents them?

Mr. GREELEY. No, sir.

Mr. MESSEROLE. That is a matter that I will take up and explain to you fully, because I am secretary of the Iowa association.

Mr. GREELEY. Inasmuch as our time is limited, Mr. Messerole, representing 40,000 people, will probably desire to take up the balance of the time.

Mr. CUSHMAN. If you desire to file any other papers, or consume any more time after Mr. Messerole has concluded, you are perfectly at liberty to do so.

STATEMENT OF MR. C. G. MESSEROLE, OF GOWRIE, IOWA.

Mr. MESSEROLE. As has been before stated, I am one of the committee sent down here representing the Farmers Grain Dealers' Association of Iowa. I might say, also, that one of our committee, the secretary of the Illinois Farmers Grain Dealers' Association, who had hoped to be able to appear before this committee, was unable to do so on account of illness in his family, and was compelled to leave Saturday evening. I will say also that included on our committee are Mr. B. R. Beall, of Kansas City, who represents the Farmers Grain Dealers' Association of Kansas and Nebraska, representing 25,000 men, and Mr. Nelson and Mr. Pierson, of North Dakota, representing the American Society of Equity. I am not positive as to the number of members of that association in the States of North and South Dakota, but my conviction is that it is at least 25,000 in the two

States. At any rate, we have made a careful calculation of the combined number of grain growers whom we represent, and it is above 200,000.

Now, as to the cooperative elevator movement. There are in the State of Iowa 225 companies of this character. They are incorporated under the laws of the State and the stock is owned by the grain growers. Formerly, four or five years ago, the line elevator dominated and controlled the grain business in the States just as they control it in the city of Chicago now, and we have found upon investigation that they are the same men. The farmers of the State took hold of the business of handling grain, feeling that if they could remedy the evils in the country, they could accomplish some result, and they have accomplished a result which amounts to something.

Mr. CUSHMAN. But they have run up against the same thing in the centers?

Mr. MESSEROLE. Yes; we have found on going to the market centers with our grain that the same men have backed up like a stonewall, and here we are again——

Mr. CUSHMAN. You are up against the same situation but at a different point?

Mr. MESSEROLE. You have it exactly.

It is not my purpose to take very much of your time, and I think you understand now who the farmers' elevator companies are that I represent.

Mr. CUSHMAN. Yes.

Mr. MESSEROLE. At a meeting held in Fort Dodge on the 11th to the 14th of February by our association with 1,800 delegates representing 40,000 people in the State of Iowa, the McCumber bill was taken up. Mr. McCumber made us a talk out there—and I do not want you to think that those people fell over themselves to grab at anything of this kind, for they spent a great deal of time in discussion as to whether this bill was what they wanted or not, and then concluded that the fundamental principles of that bill would afford them relief if carried out, and they believe that the Government of the United States will be able to carry it out, and that it is a Government function. And they also believe that our people particularly were not represented nor had any voice in the regulation of these matters in the great markets, and we are tributary to a great number of markets. We believe that we have no representation in the regulations or rules which govern those things, but are compelled to ship our grain to those markets and submit. They also believe that there is, under the practices of which you have heard—that the grain from the prairies of Iowa is discredited in the foreign markets for the reason that the foreigner is not permitted under these regulations to come in and bid upon the good qualities of the grain.

Gentlemen, I am not going to take up any more time. I believe that we have presented to this committee all these things, and so far as we are concerned practically everything that we could present at this time excepting this: To call your attention to those who are opposing this bill. Last evening I was reading the testimony of gentlemen from Minnesota concerning the inspection at Minneapolis, but I do not find the testimony of a single man who actually at this time represents the grain growers of Minnesota, and I know some of them.

I found one man who testified, in opposing this bill, by the name of Hall, who says that he is a farmer, but upon investigation you will find that his larger interests are in other lines; and I do know that the State of Minnesota has something like 200 cooperative elevator companies, and recently, I think about the time these men were here, they held a district meeting at Pipestone, Minn., and passed just such resolutions as we passed at our annual meeting at Fort Dodge.

Mr. CUSHMAN. Indorsing this bill?

Mr. MESSEROLE. Yes; on the 26th and 27th of February I attended a meeting at Bloomington, Ill., and delivered an address there upon Federal inspection. There were 900 delegates there representing the farmers and grain dealers' associations of Illinois. They also unanimously indorsed this bill, and sent a member of this committee to Washington with us to pray for some relief before this Congress.

Mr. HUBBARD. Do the farmers of Minnesota make like complaint?

Mr. MESSEROLE. Yes; it is almost universal.

Mr. HUBBARD. Have they taken any formal action?

Mr. MESSEROLE. Yes, as I stated, at the Pipestone district meeting.

Mr. HUBBARD. That is in Minnesota?

Mr. MESSEROLE. Yes; and in December I attended a meeting at Minneapolis concerning this same thing. I have talked with members of the leading farmers' associations of Minnesota, together with the president of the State association, who is a man very emphatic in his view, and utterances along this line, and a prominent farmer of Minnesota—Mr. Burr D. Alton. I believe it is the universal testimony of the farmers of Minnesota, as well as of the Dakotas, and Iowa, Kansas, and Nebraska—in fact all the great grain-growing States of the Central West, that Federal control and inspection be adopted.

I thank the gentlemen.

Mr. CUSHMAN. We are indebted to you, gentlemen, for a very interesting presentation of this matter, I think we have not had a more interesting presentation of facts upon this subject than you have given us. We regret that we have not more time and also that we have not a larger attendance this morning. But we have been very busy, and the other members of the subcommittee would have been here had it been possible for them to attend.

Mr. MESSEROLE. I want to file a statement that Mr. Beall asked me to read to the committee, but as there is no time, I will file it for the record.

Following is the statement referred to:

STATEMENT OF B. R. BEALL, ESQ., OF KANSAS CITY, KANS.

The abuses practiced under the present system of grain inspection are almost too numerous to mention, but I will call your attention especially to a few specific instances, which will give you a fair idea of the position of the producers and independent dealers, who are not associated with or members of the different boards of trade.

During the year of 1906 a prominent exporter had accumulated in his warehouse and elevators something like 30,000 bushels of wheat screenings, chicken feed, dirt, etc., which he attempted to mix with No. 2 hard wheat going from New Orleans to Europe for export, but on account of some difficulty with the inspector at that port was prevented from doing so, but subsequently shipped all of this low-

grade stuff from his houses in New Orleans, Chicago, and Fort Worth to Galveston, and there mixed it with No. 2 hard wheat for shipment to Europe, and for which Galveston certificates were issued calling for a grade of No. 2.

During the year of 1905 a prominent grain firm of Kansas City, Mo., loaded at a certain well-known elevator there a number of cars of No. 2 wheat which had been inspected by the State department, which graded it all No. 2, and for which certificates were issued, but subsequent to this inspection these cars were all pulled back into the elevator and unloaded and a very poor grade of No. 4 reloaded into the cars, and the same were shipped to old Mexico.

A certain well-known elevator company of Kansas City, Mo., during the year of 1905, made a statement subsequent to the burning of their elevator that there should be no deduction made in their settlement with the insurance companies for the payment of their loss on account of any shrinkage that might have occurred during the year by cleaning, clipping, etc., for the reason that the cleanings and the clippings and the dirt taken from the wheat during that period was invariably loaded back into the bottom of the cars, upon which was loaded No. 2 wheat for shipment, not only for export but for domestic purposes, and notwithstanding the fact that the board of trade was fully advised the matter was winked at, this man being one of their directors.

On page 786 of the printed testimony taken by the Interstate Commerce Commission between the dates of October 15 and November 23, 1906, in the matter of relations of common carriers to the grain trade, you will find that Mr. Bevan testified that it was a common practice by some at least of the elevators in Chicago to load anywhere from one to two hundred bushels of chicken feed, screenings, dirt, etc., into the bottoms of the cars going to public elevators, where grain is stored to be delivered on these future contracts made on the board of trade, and this is one of the reasons why the millers can not and will not buy grain for future delivery on the boards of trade and some of the reasons why it is unfit for milling purposes.

It is a common practice at New Orleans and Galveston if a shipper has wheat of a good quality in store in any of these elevators for those who are in control of the elevators to borrow this wheat to be used in the loading of ships to save demurrage, and in the replacing of this wheat a lower grade is invariably returned, but not by inspection, and in some instances without the knowledge or consent of the owners.

In a few States we have State inspection, especially in the States of Illinois, Minnesota, Kansas, and Missouri, and the question is asked, Is it possible for boards of trade to exercise any influence over the inspection of grain where this State inspection is in force? I say they have not only an indirect but an absolute control, inasmuch as the State grain appeals committees are selected from members of the various boards of trade. For instance, the appeals committee for the Kansas State grain inspection department is composed of gentlemen who are either directly or indirectly connected with members of the Board of Trade of Kansas City, Mo.

The appeals committee for the Missouri State grain inspection department is composed of gentlemen who are either directly or indirectly connected with the members of the Board of Trade of Kansas City, Mo.

The appeals committee of the Missouri State grain inspection department at St. Louis, Mo., is composed of gentlemen who are either directly or indirectly connected with members of the Board of Trade of St. Louis, Mo.

The appeals committee for the Illinois State grain inspection department is composed of gentlemen who are either directly or indirectly connected with members of the Board of Trade of Chicago, Ill.

The appeals committee for the Minnesota State grain inspection department is composed of gentlemen who are either directly or indirectly connected with members of the Board of Trade of Minneapolis, Minn.

From this you will see that even where there is State grain inspection the final decision as to all inspections that are made by the state inspectors is subject to the approval of these appeals committees, composed directly or indirectly of members of the boards of trade.

During the year of 1907, and according to the report made by the clearing house of the Kansas City, Mo., board of trade, there were 1,159,000,000 bushels of grain traded in on that board for future delivery, of which there was less than 1,000,000 bushels actually delivered, and this is largely for the reason that notwithstanding the fact that their contracts call for No. 2 wheat to be of a good milling quality, it is a fact that there are scarcely, if any, mills in the country that will dare to buy a bushel of grain in this way, take it, and receive it when delivery time comes for manufacturing purposes, for the reason that it is of such a poor quality that it is entirely unfit for milling.

I have been told and have experienced great difficulty in securing the delivery of grain on future contracts that would be fully up to a good No. 2 grade of wheat, suitable for milling or manufacturing purposes, and I have been told by the inspector himself that I must not expect the delivery of as good wheat out of an elevator as they require when it is coming from the producer or shipper to be delivered into an elevator. And as an evidence of this fact, May wheat is selling to-day in Kansas City at 97 cents, and this is understood to be No. 2 wheat, for which No. 2 certificates are issued by the State department, while at the same time the actual grain that is being delivered daily in cars and grading No. 2 on arrival from the producers and shippers to this market is bringing \$1.03 per bushel, or as much as 5 to 6 cents per bushel more than the May price, notwithstanding the fact that it costs at least 6 per cent interest on the money invested, together with insurance and storage at the rate of one to one and one-quarter cents per bushel per month for the care of this grain until the time of delivery in May, which would make 4 or 5 cents per bushel more, or an aggregate of 8 to 10 cents per bushel.

I have been told by a prominent board of trade man, in discussing this question, that if a law for Federal inspection of grain should be enacted that the boards of trade would immediately change their contract grade from No. 2 to, say, No. 3 or No. 4. I contend that if they should do this it would do no harm to the producer, for the reason that he could sell and deliver his wheat on these contracts, and that the miller could buy and expect to receive on these contracts exactly the grade that he had contracted for, and if he wished to buy No. 2 instead of No. 3 or No. 4, as the contract called for, it would be an easy matter for him to say, "I will pay you a premium for a higher grade," and make his trade accordingly, and the effect of Federal inspection in my judgment would mean instead of the boards of trade

contracting for the sale and delivery of No. 2 wheat, as they now do, and then delivering the quality of grain no better than No. 4, that they would be compelled if they contracted for No. 2 to actually deliver No. 2 or No. 4, as their contract might be, and it would be a guaranty to the buyer that he would get the grade of grain for which he contracted.

Boards of trade are invariably receivers and buyers of grain; they do not produce it; they have no interest whatever in the producer, so that under the present system the producer and shipper are compelled to consign their grain to market with the understanding that the buyer is the sole judge of the grade. In other words, one of the litigants in the case also acts as the judge. This all appears to me as extremely unfair and unjust, and the only remedy possible is the enactment of a Federal inspection law, the employees of which are appointed under civil-service regulations.

With reference to the exchanges at Galveston, New Orleans, Baltimore, Norfolk, Port Arthur, Pensacola, New York, Boston, Buffalo, Toledo, and Cleveland, the boards of trade themselves being the buyers and receivers, actually appoint and control the appointment of the inspectors in those markets, in addition to the committee on appeals of those various places being composed of their own members, who are the buyers and receivers, so that in no instances where there is or is not State inspection at the present time the producer and shipper absolutely has no voice whatever as to what his grain shall or shall not inspect.

I notice in a statement made by Mr. Hamlin for the chamber of commerce for the city of Boston, that he contends that under Senator McCumber's bill there would necessarily have to be an inspector located at all of the various points of destination for grain shipments in the New England States, and he says that under the present system there are immense quantities of grain going to the New England States that are not inspected at all. I beg leave to differ with Mr. Hamlin, as I believe that not less than 95 per cent of all the grain going to the New England States is inspected at some of the gateways through which this grain passes on its way to its destination. I know of no grain from the West that could possibly go to the New England States without having been inspected somewhere on the route at some of the gateways, such as Chicago, Cleveland, Toledo, Peoria, Philadelphia, Buffalo, so that it can not be said, in my judgment, that it would be necessary to have an inspector at these points of destination, as the grain will have been inspected, and, if properly inspected, as it is contemplated that it would be under the proposed bill, it would not require an additional inspection if the identity of the grain has been preserved.

I note that Mr. Hamlin has had a great deal to say with reference to grain getting out of condition in transit. In this I disagree with Mr. Hamlin, as it has been my experience, and the experience of a great many in the trade, with whom I am acquainted, that in almost all instances where grain is properly inspected in the first place, it invariably goes through to destination in good order, but the grain that arrives out of condition is invariably grain that has been improperly inspected originally. It is true that grain will absorb more or less moisture, but if it did not contain more than a normal amount of moisture when the shipment was started, it will, like tobacco and

other products, throw off whatever moisture it has taken on, without any damage to the commodity.

I note what Mr. Hamlin has had to say about the vast army of inspectors required under this bill. In my judgment there would be no more inspectors required than under the present system. Mr. Hamlin does not seem to be as familiar with the movement of grain as he should be. It is a fact that all grain shipments to market centers must move under the present transportation arrangements without any extra cost or expense for demurrage or on account of the routing than it would ordinarily require without inspection.

For instance, all of the grain in the Northwest and Southwest, or in fact all grain originating west of the Mississippi River, would naturally pass, whether for inspection or otherwise, through some gateway like Minneapolis, Omaha, Sioux City, St. Joseph, Atchison, Leavenworth, Kansas City, Wichita, Winfield, Hutchinson, Topeka, St. Louis, Memphis, etc., where there are already inspectors located, and it appears to me that the same grain could be inspected equally as cheaply under Federal inspection as it can under the present system, with the additional guarantee that it will be properly done, and done by disinterested parties, who have no interest whatever in the buying or selling of the grain so inspected, instead of under the present system, where the buyers have all to say as to what it shall grade.

The cost of inspection under the present system is invariably charged back to the farmer or original shipper of the grain, and the producer or original shipper of grain never has, to my knowledge, objected to having his grain inspected, nor to the payment of the inspection charges. The cost of Federal inspection can not possibly be more than the present cost, and under Federal inspection, as I understand it, the charges will be paid by the producer or original shipper, the same as under the present system, and they will be better satisfied, and there will be no objection to the payment of these charges, especially if they can be guaranteed fair inspection or service for which the charge is made.

I also note what Mr. Hamlin has had to say with reference to uniform inspection. I do not understand that uniform inspection under this bill means anything except that No. 2 hard winter wheat must inspect the same in any part of the country, instead of under the present system it is inspected at every gateway, when one should be sufficient, if properly inspected in the first place. I do not understand that a standard for No. 2 hard wheat would be made to apply to No. 1 northern, but that there should be a standard of No. 1 northern, and No. 1 northern should be the same all over the country alike, and so on, and that the different kinds of grain should be graded and standardized. It is not a complex question, but a very simple one. The trouble is, under the present system it is so complex and the construction that is being put upon it from day to day by the different inspectors in the different market centers is so elastic that it is utterly impossible for the shipper to send his grain to any place with any degree of certainty as to what it will grade when it gets there, and the different constructions that are put upon it permit of so many deductions in the price that it puts a burden upon him that is almost impossible to overcome.

I believe that uniform grading of grain is as important now, and generally recognized by many as being as valuable to the grain busi-

ness as the maintenance of proper freight rates. This branch of trade is unquestionably materially damaged by the nonuniform methods now in force. Some argue that because the farmer sells to the dealer on view or by sample that he is not interested in any particular system of inspection. This is a very poor argument, for the buyer, who fixes the prices for the producer, is bound to be governed by what he can do in selling, and it all depends upon the uniformity of the grades.

The question has been asked, "How is this bill going to protect the farmer who delivers his wheat in an elevator up in Minnesota, 200 or 300 miles away from some mill or grain market?" I will answer that question by saying for the information of the Senator that the farmer is going to ship his own grain to market. He is doing it now; there are over two hundred farmers and elevators companies located in the States of Kansas and Nebraska alone who are doing it, and why not give him a chance to do it? Give him an opportunity to avail himself of the protection this bill will afford. Of course, if he does not avail himself of the opportunity, he can blame no one but himself, and I want to assert at this point that the producers, small shippers, and millers, with but few exceptions, want this bill passed by Congress, and I dare say there has been not a single objection registered against this bill here by any of the hundreds of thousands of producers and small shippers not connected or associated with the boards of trade and commercial exchanges, of which, as I have said, there are less than four thousand, and this will also apply to the mills, of which there are many more than ten thousand in the United States.

No system of uniform grading of grain will ever entirely satisfy everyone in the business; there will be differences of opinion in some cases; there will be cases where parties do not agree, but that is all the stronger reason why we should try and make rules to put in practice a uniform system.

At the beginning of the grain industry in this country there was no urgent demand for any extensive system for classification, nor was it even thought at that time that there ever would be any such demand, but this, like other enterprises that have sprung up in this country, has rapidly grown, until in a comparatively short time it has attracted attention in business affairs which is very noticeable everywhere, and grain is not now, as it was then, produced for the exclusive use for the man or family, or use in some immediate locality in which it was raised, so that there was no great inconvenience caused on account of the absence of rules governing its inspection.

Following the spread of this trade into localities where they had either failed to engage in the growing of grain or where, for other reasons, it was not produced, the necessity arose for some system to be employed by which an exchange could be carried on on a fair and equitable basis, one to be understood by both the buyer and the seller.

For a long time it was sufficient for all purposes to establish a custom of weights and measures for the various localities. but as trade expanded it became necessary to establish uniform weights and measures to govern trade in all parts of the country alike, so that under the present system of weights and measures it is understood to a certainty that when we sell a bushel of wheat we must deliver 60 pounds, and when we sell a bushel of oats we must deliver 32 pounds.

Under the old grading of grain it was sufficient to say that it must be of a good merchantable quality, but it later on became necessary to have a more definite classification of the different qualities, by which the different standards according to their true value could be estimated, and the commercial trading could be enlarged, so that some scale or rule could be established by which different standards of value could be measured according to their commercial worth, and out of this has grown the practice of judging and grading grain, that has as many different rules as there are grain markets.

Granting that it was a good thing to establish these different rules for the grading of grain in the different markets of the country, why would it not be better to further perfect these rules by a law providing for uniform standards, with some provision for the enforcement of the law?

If 60 pounds of wheat should be given and taken as a bushel of any grade, whether it be Nos. 1, 2, 3, or 4; if our No. 2 hard wheat should have certain requirements, what argument could be advanced against this wheat so grading in any place?

A great deal has been said about the impossibility of different inspectors in different parts of the country agreeing upon the inspection of a particular lot of wheat, and I would say that this is one of the greatest evils of the present system of the different States. The departments in these several States will not even agree when a car of grain is inspected at one point that it shall grade the same at another point in the same State, although the identity of the grain has been preserved, transported under seal, which was broken in both instances by the officials of the same department, and with nothing whatever to show that the grain has in any way been affected while in transit. I contend that if a car of grain is inspected at Kansas City—that is, properly inspected—and the same delivered to some transportation company for delivery to some port, that the original certificate at Kansas City should not only carry it to any point in this country, but to any foreign port, and that under a properly established uniform system of grading, to be done without prejudice by disinterested inspectors, we would have the means of rehabilitating our trade, not only in the United States, but all parts of the world, and reestablishing confidence, and the standard of our grain would redound to the benefit of the producers of this country instead of a loss to them of at least 10 cents per bushel, which they must suffer under present conditions.

We must encourage the producer to continue to produce good merchantable grain and the manufacturer to continue to manufacture good goods, which will be done by a uniform system of standardization of all the different cereals, but this can never be done without eliminating the present irregular and nonuniform inspection, and establishing the grading of grain on such a uniform basis as to reduce it to as much certainty and common knowledge of the parties interested, and have it as definitely settled as to the requirements of the different grades, as is now the practice in our uniform system of weighing.

Since the establishment of uniform weights, about which there was so much contention for so many years, we never hear of any trouble in that direction, except possibly as to the honesty and dishonesty of the parties doing the weighing, so that this feature rarely ever enters into a transaction between the buyers and sellers of any

commodity, except as to the honesty or dishonesty of the weigh-master, but under the present system of inspection if the dealer is buying No. 2 hard wheat, and the grade is to be arrived at by the judgment of some one governed by the rules of some department or exchange, who is only interested on the buying and receiving side of the question, and has nothing whatever to do with the producing, originating, and the shipment of the product, and subject to the elastic construction that might be put upon it by the departments of some other locality or exchange, who are also interested in like manner possibly a thousand yards away, across an imaginary State line, I insist that he would naturally be compelled to add, besides a reasonable profit, an additional amount to reasonably insure him against probable loss in the juggling of such elastic views by the different interested departments, which, in 99 per cent of all cases, result to the advantage of the members of these various exchanges controlling the present inspection system, and to the disadvantage of the producer.

Our present inspection system is controlled by approximately four thousand or less dealers, who are doing business on the various boards of trade, and who are not producers but receivers and buyers of the products of the United States, the producers of which number into the hundreds of thousands, and in Kansas alone I understand we have something like eighty thousand or more farmers.

It is true that boards of trade are banded together for the very purpose of controlling this business, while the farmers, producers, and small shippers of the country are unorganized, yet it does seem to me that they should be considered whether they are or not, and whether or not they are represented here in an organized capacity, as is the case with the board of trade dealers, who are organized, and who are so strenuously opposing this bill.

There have been repeated meetings of the uniform grades congress, attended by representatives from State inspection departments, commercial exchanges, and boards of trade, and it has not only been the general opinion at each of these meetings, but the opinion of every individual inspector attending them that our present system is not only imperfect, but is not what it should or could be made, and what greater argument could we make than this in favor of uniform grading?

At the congress in Chicago in December of 1906 there was a very complete set of rules adopted and recommended for passage, and while this applied only to the rules and did not prevent the exchanges from putting an elastic construction upon them, yet it was a decided step in the right direction to remedy the evil complained of. It was a stand taken in the interest of adjusting an existing wrong. It was apparently as popular and welcomed as warmly as the proposition to regulate the discriminatory practices of our railroads. In fact, there was no argument advanced at these meetings against the adoption of these rules, and this is another evidence of the value of uniform grading.

This movement on the part of the various departments in this convention to get together on a uniform basis soon gained wide circulation, and a decided opposition to it sprang up at the large centers, with the result that at the next meeting of this congress in June of 1907 there was a complete backdown by the delegates to that congress.

The influence that opposed the adoption of those rules is now at work apparently opposing Federal control and the establishment of

uniform inspection by the Government. This is another very good reason, it appears to me, why we should have uniform inspection.

With my experience in the grain business, I can see no better reason for uniform inspection than that different markets have different standards for the same cereal. I can readily understand why there might be a great deal of contention for different rules, different requirements, or different systems of inspection advocated by large and influential grain centers. I can also understand why the old-system manipulators favored rebates, and why the discontinuance of these privileges was so vigorously opposed by that element. I can understand, also, why this same element is so bitterly opposed and why they are spending large sums of money to maintain a lobby to oppose Federal inspection of grain.

Uniform inspection of grain would be just to all and unjust to none. Then, is it not fair to assume that one would be as well satisfied if he knew he could as confidently rely on a staple and uniform system of grading as he could on how many pounds he should receive for a bushel? Would not that in the end not only stimulate business between points in our own country, but reestablish and rehabilitate our standing, reputation, and business abroad, which is of necessity an important question?

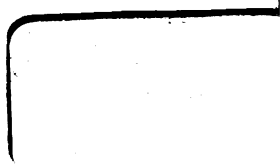
Would not the uniform inspection of grain eliminate the present element of uncertainty, the present speculative features that the dealers have to figure on to take care of uncertain and dishonest inspection?

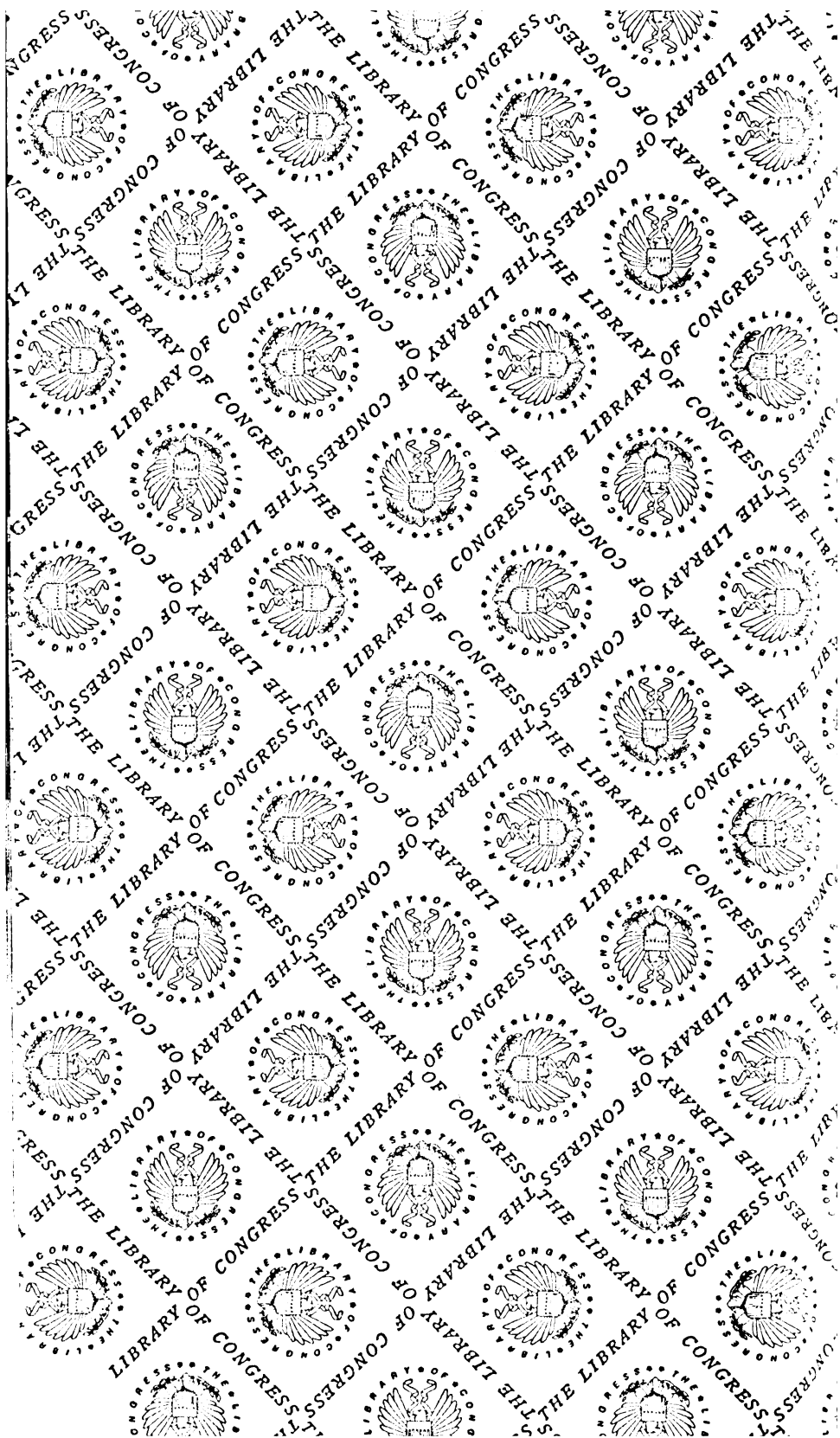
I believe there can be rules established for uniform inspection of grain so that it can be done with as much certainty and common knowledge almost, if not quite, as the weighing of grain.

I contend that the inspection of grain can be reduced to such a basis that there would be practically no variation, and if it is proper that the seller should abide by that or any other rule of grading, it is also fair and proper that the buyer should be satisfied. It simply means fair dealing to have uniform inspection; it means the elimination of favoritism at the hands of parties who control the local systems; it means restored confidence in the business, with all features of uncertainty and classification wiped out, and who can be injured if a square deal is given?

Who is complaining about the trouble it will cause? Have you ever stopped to consider that carefully? It may injure some particular interest to be forced to abide by one rule or take one measure, but in the end it must be a wholesome thing for the business.

Do you know of anything more just or better than to be able to go into any market and buy what you want, pay for it, and know to a certainty that you are going to get it? I say what the business needs is the elimination of favorites, and what we want in the West and the grain-producing territory of this country is to be able to find the best market where the best prices are obtainable, and be able to ship our own product with some degree of certainty, without being burdened with the present system, and with the knowledge that our grain will be once inspected for good and all by disinterested parties instead of, as I have said before, with a certain knowledge that we now have that one party to the transaction is to be the sole judge of what our grain is to grade, and, finally, thereby fix our price to his own satisfaction, and in which we have absolutely no voice whatever.





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